UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

UNITED STATES SECURITIES AND EXCHANGE COMMISSION	:	
Plaintiff,	:	
v.	:	**No. 1:18-cv-8865-AJN-GWG**
ELON MUSK	:	
Defendant.	:	

UNITED STATES SECURITIES AND EXCHANGE COMMISSION'S REPLY MEMORANDUM TO DEFENDANT ELON MUSK'S RESPONSE TO ORDER TO SHOW CAUSE

TABLE OF CONTENTS

TABLE OF AUTHORITIES

CASES

On September 27, 2018, the Commission charged Defendant Elon Musk with fraud for recklessly making a series of false and misleading statements about Tesla that resulted in significant market confusion and disruption. Two days later, Musk agreed to settle the case. This Court ordered him to comply with a series of conditions, including that Musk submit certain of his written communications about Tesla for pre-approval before publishing them. Dkt. No. 14, at 13-14.[1]

The Court-ordered pre-approval requirement for Musk's written communications lies at the heart of the settlement. Musk's unchecked and misleading tweets about Tesla are what precipitated the SEC's charges, and the pre-approval requirement was designed to protect against reckless conduct by Musk going forward. It is therefore stunning to learn that, at the time of filing of the instant motion, Musk had not sought pre-approval for *a single one* of the numerous tweets about Tesla he published in the months since the Court-ordered pre-approval policy went into effect. Many of these tweets were about the topics specifically identified by Tesla in its own policies as potentially material to shareholders. Musk reads this Court's order as not requiring pre-approval unless *Musk himself* unilaterally decides his planned tweets are material. His interpretation is inconsistent with the plain terms of this Court's order and renders its pre-approval requirement meaningless.

Musk's tweet at 7:15 PM ET on February 19, 2019 (the "7:15 tweet") was a blatant violation of this Court's order. The statement that Tesla "will make around 500k" cars in 2019 plainly "contain[ed], or reasonably could [have] contain[ed], information material to the Company or its shareholders." *See* Dkt. No. 14, at 13-14. This is apparent from the immediate response of Tesla's Designated Securities Counsel, *the person who was supposed to have*

---

1 Page numbers in citations to docketed court filings are to the page numbers assigned by the Court's ECF system.

reviewed this tweet before Musk published it. After seeing the published 7:15 tweet, the Designated Securities Counsel "immediately arranged to meet with Musk" to draft a corrective tweet (the "11:41 tweet"). Ex. 4, at 3. Had Musk simply complied with the Court's order and Tesla's Court-ordered Senior Executives Communications Policy ("the Tesla Policy"), the Designated Securities Counsel presumably would have caught his misstatement on the front end, and Musk would not have again disseminated inaccurate information about Tesla to 25 million people.

Musk's explanation for his failure to seek pre-approval of the 7:15 tweet has changed even in the short time since he published it. Initially, Musk explained that, while his 7:15 tweet had not been "individually pre-approved," he "believed that the substance had already been appropriately vetted, pre-approved, and publicly disseminated." Ex. 4, at 3. Neither Musk nor Tesla claimed at that time that Musk was not required to seek pre-approval because his tweet could not have reasonably contained material information. *See id*. After the SEC filed its motion, however, Musk pivoted to a different explanation. He now claims he did not seek pre-approval because *he* determined prior to publication that his tweet could not have reasonably contained material information. Dkt. No. 27, at 9-16. Musk's contention—that the potential size of a car company's production for the year could not reasonably be material—borders on the ridiculous. Musk's shifting justifications suggest that there was never any good faith effort to comply with the Court's order and the Tesla Policy. Rather, Musk has simply elected to ignore them.

As Musk observes, requests by the SEC to hold a party in contempt are relatively rare. Here, the SEC acted only after—following discussions with counsel—Musk admitted that he had not sought pre-approval of the 7:15 tweet, which contained demonstrably material and inaccurate

information about Tesla's 2019 vehicle production, and then offered a purported justification that ignored the plain language of the Court's order and the Tesla Policy. Such brazen disregard of this Court's order is unacceptable and unworkable going forward. For the reasons set forth below and in the SEC's initial motion, the SEC requests that this Court hold Musk in contempt and impose an appropriate remedy to ensure future compliance.

I. Musk Violated this Court's Order by Failing to Seek Pre-Approval of a Tweet Containing Information Material to Tesla and its Shareholders.

The language of the Court's order is clear: Musk must comply with Tesla's mandatory procedures requiring pre-approval before publishing tweets that contain or *reasonably could contain* information material to Tesla and its shareholders. As of the filing of the SEC's motion, for a period of more than two months, Musk tweeted repeatedly about Tesla's business but never once sought pre-approval prior to publication.[2] Musk's disregard of the pre-approval process culminated in the publication of the inaccurate 7:15 tweet to more than 25 million Twitter users.

Confronted with these facts, Musk urges the Court to re-write the terms of its order and evaluate whether his communications must be pre-approved based on a hindsight analysis of whether they moved the market. This proposed standard is inconsistent with the Court's order and plainly unworkable because Musk will never know if the market is going to move until it actually reacts to his statements. Musk's proposed approach also incorrectly applies the

[2] The SEC requested additional information after filing the instant motion because it was also concerned about Tesla's compliance with its final judgment, which ordered Tesla to "implement mandatory procedures and controls to oversee all of Elon Musk's communications regarding the Company . . . and to pre-approve any such written communications that contain, or reasonably could contain, information material to the Company or its shareholders." *SEC v. Tesla, Inc.*, 1:18-cv-8865-AJN-GWG, Dkt. No. 14, at 15. To that end, on February 24, 2019, the SEC asked Musk and Tesla the straightforward question of whether Musk had sought or received pre-approval for any tweets since the Policy was adopted. *See* Dkt. No. 27-6, at 2. The answer, as it turns out, was simply "no," but it took more than two weeks for Musk and Tesla to concede as much. *See* Dkt. No. 27-8, at 6.

materiality standard applicable in private securities fraud actions in lieu of the much broader pre-approval standard contained in the Court's order. *See* Dkt. No. 27, at 12.

Had Musk sought to comply with the Court's order, he would have sought pre-approval of the 7:15 tweet, which contained new information about a key metric that has long been important to Tesla's business. Indeed, Musk offers no explanation of how he arrived at the counterintuitive conclusion that pre-approval was not required. Conspicuously absent from Musk's submission is any citation to a prior public disclosure that Tesla would make around 500,000 cars in 2019. This is because no such disclosure had ever been made prior to the 7:15 tweet. This fact is alone sufficient to show that the 7:15 tweet reasonably could have contained material information and required pre-approval before Musk published it. At bottom, Musk's tortured, *post hoc* explanation of why he should not be held in contempt is inconsistent with the terms of this Court's order and the Tesla Policy.

A. The Order Contains a Broad Pre-Approval Standard.

The SEC asked this Court to approve its settlement with Musk because it included terms, including the pre-approval requirement, that were tailored to prevent future violations of the type alleged by the SEC against Musk in its original complaint, *i.e.*, publicly disseminating misleading or inaccurate information. *See* Dkt. No. 13, at 5-7. In keeping with this prophylactic purpose, the plain language of this Court's order and the Tesla Policy state that Musk is required to seek pre-approval of any written communications that "contain or **reasonably could contain**" information material to Tesla or its shareholders. *See* Dkt. No. 14, at 13-14; Ex. 1, at 1 (emphasis added).

The standard for pre-approval of Musk's communications is not the same as the materiality standard that applies in SEC civil fraud actions, let alone the stringent requirements applicable in private securities actions, as Musk's argument implies. The SEC insisted on the

pre-approval requirement that applies to all statements that contain *or reasonably could contain* information material to Tesla or its shareholders so that Tesla would implement meaningful controls on Musk's communications to prevent any potentially fraudulent or erroneous statements from being published in the first place.

Musk's citations to fraud actions brought by private securities plaintiffs are inapposite. Unlike the statements at issue in those cases, Musk's 7:15 tweet, "Tesla made 0 cars in 2011, but will make around 500k in 2019," was neither non-specific nor aspirational on its face. It stated, without any qualifying language, that Tesla would produce a specific number of cars ("around 500k") in a specific timeframe (the current year, 2019).[3] Moreover, Musk's claim that statements about future performance are immaterial as a matter of law, and therefore need not be pre-approved (Dkt. No. 27, at 12), is inconsistent with the plain language of the Tesla Policy, which unambiguously includes "projections, forecasts, or estimates regarding Tesla's business" on its non-exhaustive list of subjects that may be material to Tesla or its shareholders. *See* Ex. 1, at 1.

Contrary to Musk's suggestion, there is no carve-out from materiality for "celebratory" statements that contain key numerical forecasts about a company's business. Dkt. No. 27, at 11. When Musk publishes a tweet with new information about an important Tesla metric, it must

[3] By contrast, the statements found to be immaterial in the cases cited by Musk were clearly aspirational in nature. *See, e.g.*, *IBEW Local Union No. 58 Pension Tr. Fund & Annuity Fund v. Royal Bank of Scotland Grp., PLC*, 783 F.3d 383, 392 (2d Cir. 2015) (statement that integration of another bank acquired by RBS was "off to a promising start" and that RBS's "positive view . . . has been confirmed" were immaterial statements of "general corporate optimism"); *City of Pontiac Policemen's & Firemen's Ret. Sys. v. UBS AG*, 752 F.3d 173, 183 (2d Cir. 2014) (general statements about UBS's "compliance, reputation, and integrity" that included qualifiers such as "aims to," "wants to," and "should" were immaterial); *In re IBM Corp. Sec. Litig.*, 163 F.3d 102, 107 (2d Cir. 1998) (statement that IBM was not "concerned" about covering its dividend payment to investors was too indefinite to be material for purposes of private fraud action).

first be submitted for pre-approval under the terms of the Court's order and the Tesla Policy, regardless of whether it was subjectively intended as a statement of "pride and optimism." *Id.* at 12.

B. Tesla's Production Forecasts Are Material to Tesla and its Shareholders.

In addition to being specifically identified in the Tesla Policy as a potentially material topic (Ex. 1, at 1), Tesla's production forecasts have long been significant to market participants who follow the company. *See*, *e.g.*, Ex. 6, "1Q18 a Bit Better, but Model 3 Ramp Remains the Story" (Deutsche Bank, May 3, 2018), at 1 (observing that "[i]nvestors' main questions related to the trajectory of Model 3 production," along with two other focus areas). The forecasts are important because research analysts incorporate their expectations of future production and deliveries into revenue and profit forecasts and corresponding valuation models and price targets for Tesla's stock. *See*, *e.g.*, Ex. 7, "Rollercoaster Ride with Model 3 Production Turning the Corner; Initiating at OP" (Wedbush Securities, Dec. 13, 2018), at 1 ("Tesla Model 3 production analysis we have built is the linchpin to our broader bull thesis and valuation on the company" and emphasizing that "More Model 3 Production = Key to Cash Flow and Profitability Ramp").

Musk's recognition of the significance of Tesla's vehicle production forecasts to investors is evidenced by the frequency with which he and Tesla highlight such forecasts in their public statements. For years and continuing through the company's most recent earnings release, Tesla and Musk have prominently featured vehicle production forecasts in their public communications, including Tesla's investor letters, Musk's tweets, and the company's filings with the SEC. While some companies emphasize forward-looking guidance on financial metrics such as revenue and earnings per share, Tesla often highlights guidance regarding expected production rates and deliveries. *See*, *e.g.*, Ex. 5, at 5 (lead paragraph of "Outlook" section highlights production forecasts). Given this focus on Tesla's production capabilities, Musk

cannot credibly argue that his statement, as Tesla's CEO, that the company "will make around 500k" cars in 2019 could not have reasonably contained information material to Tesla and its investors.

C. Musk's 7:15 Tweet Was Materially Different from Prior Public Disclosures.

Disputing the logical conclusion that new information about a critical company metric reasonably could be material to Tesla's shareholders, Musk claims that the 7:15 tweet "simply was not 'news.'" It is frankly difficult to follow Musk's tortured analysis, which attempts to cobble together information from various public statements by Tesla in January 2019 to arrive at the *post hoc* conclusion that his 7:15 tweet was "within previously disclosed ranges." Dkt. No. 27, at 10. Regardless, Musk's arguments do not change the fact that, before the 7:15 tweet, Tesla had never disclosed that it planned to make around 500,000 cars in 2019. Therefore, Musk was required to obtain pre-approval before he published this statement.

Prior to the 7:15 tweet, Tesla had not publicly disclosed *any* forecast of the total number of vehicles it expected to produce in 2019. This should end the Court's inquiry as to whether Musk's failure to seek pre-approval constituted a violation of the Court's order. In the absence of an affirmative forecast on this important topic, Musk's tweet contained new information that could reasonably have been material to Tesla and its shareholders.

Tesla had, however, previously provided a clear forecast of total vehicle *deliveries* in 2019. Specifically, Tesla's January 30, 2019 Fourth Quarter & Full Year Update ("Update Letter") stated, "In total, **we are expecting to deliver 360,000 to 400,000 vehicles in 2019** . . . ." Ex. 5, at 5 (emphasis added). Tesla included the same delivery forecast in the pre-approved talking points for its January 30 earnings call. *See* Ex. 8 (internal Tesla email dated Jan. 30, 2019, produced in response to SEC's request for pre-approved talking points); *see also* Dkt. No.

27-8, at 7 (Tesla representing that these talking points were pre-approved in accordance with the Tesla Policy). Evidently at a loss as to how to explain the material difference between the company's repeated deliveries guidance and his 7:15 tweet,[4] Musk's brief does not even mention the deliveries guidance.

Instead, Musk argues that his tweet could not reasonably have been material because Tesla previously stated that it was "targeting" an annualized production rate in excess of 500,000 Model 3 vehicles sometime between Q4 of 2019 and Q2 of 2020. Ex. 5, at 5. This guidance was also given in Tesla's 2018 Form 10-K and during Tesla's January 30 earnings call. Dkt. No 27-3, at 5; Dkt. No. 27-4, at 3. But this was a *qualified* forecast ("targeting") of Tesla's expected achievement of a *production run rate* (not of aggregate production) for a particular vehicle line[5] at some future point in time (somewhere between late 2019 and the middle of 2020). On its face, the 7:15 tweet—which stated that Tesla will make around 500,000 cars in 2019—was materially different from Tesla's production rate forecasts for Model 3.[6]

---

[4] While deliveries and production could differ somewhat, in recent periods, Tesla's annual deliveries have closely tracked annual production. In 2018, for example, according to the company's public statements, Tesla produced 254,530 vehicles and delivered 245,506 vehicles. *See* Ex. 9 (excerpts of Tesla, Inc. Form 10-K filed with the SEC on Feb. 23, 2018, and Feb. 19, 2019), at 42. Similarly, in 2017, Tesla produced 101,027 vehicles and delivered approximately 103,184 vehicles. *See id.* at 39; Ex. 10 (compilation of Tesla's quarterly vehicle and production deliveries reports for 2017).

[5] Musk also obliquely references a public statement about Tesla's Q4 2018 production achievement and "long term run rate" for its Model S and Model X vehicles as somehow supportive of his claim that the 7:15 tweet was immaterial. *See* Dkt. No. 27, at 10. The purported significance of this backward-looking statement is difficult to discern from Musk's brief. Regardless, it does not change the fact that Tesla had not issued any guidance for total 2019 production as of the 7:15 tweet.

[6] Musk also claims he made a statement during the January 30 earnings call projecting 2019 Model 3 production "on the order of '350,000 to 500,000' vehicles." Dkt. No. 27, at 10. In reality, Musk made no such production forecast during the earnings call. Instead, in remarks that were not a part of Tesla's pre-approved earnings call script, he made a cryptic reference to

The divergence between Musk's 7:15 tweet and Tesla's previous public statements is evidenced by the swift reaction of Tesla's Designated Securities Counsel to correct Musk's 7:15 tweet. According to Musk and Tesla's original version of the events of February 19:

> [u]pon seeing the 7:15 PM EST tweet, the Designated Securities Counsel immediately arranged to meet with Musk at the Fremont factory. Musk and the Designated Securities Counsel together drafted a clarifying tweet.

See Ex. 4, at 3. The subsequent 11:41 tweet indicated that the 7:15 had been inaccurate ("*meant to say*") and reiterated that both the deliveries forecast and Model 3 production rate forecasts remained in effect. Decl. of Elon R. Musk (Dkt. No. 27-9), at ¶ 12 ("Meant to say annualized production rate at end of 2019 probably around 500k, ie 10k cars/week. Deliveries for year still estimated to be about 400k.")

None of the prior statements Musk points to contains a forecast of 2019 vehicle production at all, much less a forecast of around 500,000 cars. As a result, Musk's 7:15 tweet—which stated that Tesla "will make 500k" cars in 2019—was reasonably likely to add to the total mix of information available to investors at the time about a metric important to Tesla investors, and Musk's failure to submit the tweet for pre-approval before publishing it violated the Court's order.

II. Musk Has Not Diligently Attempted to Comply with the Court's Order.

Musk made no diligent or good faith effort to comply with the pre-approval provision of the Court's order. Musk failed to seek pre-approval of *any* of his Tesla-related tweets, from the

---

"350,000 to 500,000 Model 3s" after Tesla's CFO made a comment about potential market size for North America, Europe and Asia, following a question from an analyst relating to geographic dispersion of Model 3 sales. *See* Dkt. No. 27-3, at 8. In the wake of the earnings call, multiple research analysts observed that Musk's murky remark was inconsistent with Tesla's official guidance. *See*, *e.g.*, Ex. 11, "Leaving Intensive Care . . . Waiting for Revenues to Ramp" (Evercore ISI, Jan. 31, 2019), at 2 (observing that Musk had made an "off-the-cuff" statement about "'350-500k Model 3s, something like that this year' when the official total delivery guidance is only 360-400k").

time Tesla implemented its Court-ordered Policy until the SEC filed this motion. Since Tesla adopted the Policy on December 11, 2018, Musk has regularly published substantive information about Tesla and its business in tweets and replies to other Twitter users' tweets. In addition to his February 19 tweet about 2019 production, Musk has tweeted about the following:

- Tesla vehicle tax credits and pricing,
- Tesla vehicle maintenance costs,
- Tesla's plans for expansion of charging stations internationally,
- the EPA rating of Tesla vehicles,
- Tesla's construction and production plans for a new Shanghai factory,
- Tesla's refund policies,
- Whether Tesla plans to phase out its Model S and Model X vehicles in the future,
- The status of regulatory approvals for Tesla's assisted driving features,
- The results of government safety testing of Tesla vehicles, and
- A response refuting a published report that Tesla had reached agreement with a Chinese company to supply batteries.

See Ex. 12 (screenshots of examples of Musk's tweets).

Musk has chosen to disregard the pre-approval requirement altogether by claiming that the Court's order and the Tesla Policy vested in him the exclusive authority to determine whether a tweet could have reasonably contained information material to Tesla or its shareholders. *See* Dkt. No. 27-9, at ¶ 6. Musk, however, does not identify any language in the order or the Tesla Policy that grants him such discretion. Nor does he articulate any particular methodology or process that he employs to determine that a tweet does not require pre-approval before

publishing it. This is particularly troublesome given that it was Musk's lack of judgment with respect to public statements about Tesla that led to entry of the Court's order in the first place.

Instead of submitting his tweets for pre-approval, Musk stated that he relies on Tesla counsel's review of his tweets "upon publication" to ensure that he is compliant with the order and the Policy. *Id.* at ¶ 7. It strains credulity that Musk could believe in good faith that he is allowed to substitute *post hoc* review for the pre-approval requirement clearly set forth in the Court's order. While Musk professes to take seriously his obligations to comply with the Court's order and the Tesla Policy, his actions speak much more loudly: he has not diligently sought to comply with either.

III. The Court Has Authority to Enforce its Order and Compel Musk's Compliance.

Musk argues that unless he is granted complete discretion to determine whether his written communications about Tesla require pre-approval, the Court's order is unconstitutional and exceeds the scope of the SEC's authority. Dkt. No. 27, at 20-25. This frivolous argument rests on a misapprehension of governing case law and on the false premise that the Court-ordered pre-approval requirement prohibits his speech.

A. Musk Waived His Challenge to the Constitutionality of the Order by Consenting to its Entry.

Musk admits that he consented to the order (*id.* at 23) in which he waived any First Amendment rights that may be implicated by the pre-approval provision. *See Democratic Nat'l Comm. v. Republican Nat'l Comm.*, 673 F.3d 192, 205 (3d Cir. 2012) (even if court enforcement of a consent judgment constitutes state action, "constitutional rights . . . may be contractually waived where the facts and circumstances surrounding the waiver make it clear that the party foregoing its rights has done so of its own volition, with full understanding of the consequences of its waiver"). Further, "it is well-established that a party to a consent judgment is thereby

deemed to waive any objections it has to matters within the scope of the judgment." *In re Refco Inc.*, 505 F.3d 109, 120 (2d Cir. 2007) (internal quotation omitted).

Musk's argument that he consented to the terms of the Court's order only because he believed he had sole discretion to determine when the pre-approval requirement applied (Dkt. No. 27-9, at ¶ 6) is inconsistent with the plain language of the Court's order. The Court's order clearly mandates that Musk obtain pre-approval of written communications that contain or reasonably could contain material information and states nowhere that this requirement is subject to his discretion. Musk voluntarily waived the constitutional arguments he now advances. Dkt. No. 6-1, at 4 ("Defendant enters into this Consent voluntarily").

B. The Pre-Approval Requirement Does Not Implicate the First Amendment.

Musk's First Amendment argument also fails because it rests on the false premise that the pre-approval requirement imposes a prior restraint on his speech. Dkt. No. 27, at 20-22. Submitting his written statements for pre-approval does not, as Musk baldly asserts, mean that he is prohibited from speaking. Dkt. No. 27, at 23. As long as a statement submitted for pre-approval is not false or misleading, Tesla would presumably approve its publication without any restraint on Musk. And if the proposed statement is false or misleading, then any restraint on Musk's speech would be constitutional even if it involved state action. *See Romeo & Juliette Laser Hair Removal, Inc. v. Assara I LLC*, 679 F. App'x 33, 36-37 (2d Cir. 2017) (prohibition of speech that is false, deceptive, or misleading does not violate First Amendment) (citing *Safelite Grp., Inc. v. Jepsen*, 764 F.3d 258, 261 (2d Cir. 2014); *Democratic Nat'l Comm.*, 673 F.3d at 204-05).

Moreover, the First Amendment limits only state action, not private action. *Cent. Hardware Co. v. N.L.R.B.*, 407 U.S. 539, 547 (1972); *Loce v. Time Warner Ent.*

Advance/Newhouse P'ship, 191 F.3d 256, 266 (2d Cir. 1999). No First Amendment concern exists given that Musk's speech is to be reviewed by Tesla, a private actor, and not the government. Finally, Musk's argument that any restraint on his speech is already served by less-restrictive means—*i.e.*, Musk's discretion and potential future SEC enforcement actions (Dkt. No. 27, at 21)—is belied by Musk's demonstrated inability to discern potential materiality and is inconsistent with the prophylactic purpose of the parties' negotiated relief. Thus, the supposedly less-restrictive means put forth by Musk are demonstrably ineffective and would be inconsistent with the parties' negotiated resolution embodied in the terms of the Court's order.

C. Authority to Enforce Its Order Is Vested with the Court, Not the SEC.

Musk's argument that enforcement of the terms of the Court's order exceeds the SEC's authority is equally flawed. Enforcement of the provisions of the Court's order does not depend on the SEC's statutory authority to bring injunctive action or on any authority of the SEC at all. Rather, *this Court* has broad equitable powers to enforce the terms of its order against Musk through civil contempt. *See*, *e.g.*, *Shillitani v. United States*, 384 U.S. 364, 370 (1966) ("There can be no question that courts have inherent power to enforce compliance with their lawful orders through civil contempt."); *Paramedics Electromedicina Comercial, Ltda v. GE Med. Sys. Info. Techs., Inc.*, 369 F.3d 645, 657 (2d Cir. 2004) ("To the extent that a contempt sanction is coercive, the court has 'broad discretion to design a remedy that will bring about compliance.'") (quoting *Perfect Fit Indus. v. Acme Quilting Co*., 673 F.2d 53, 57 (2d Cir. 1982)); *New York State Nat'l Org. for Women v. Terry*, 886 F.2d 1339, 1352 (2d Cir. 1989) (affirming civil contempt sanctions issued "to coerce the contemnor into future compliance with the Court's order" despite First Amendment implications); *see also* Dkt. No. 14, at 14 ("this Court shall retain jurisdiction of this matter for the purposes of enforcing the terms of this Final Judgment").

CONCLUSION

For all the reasons stated, the SEC respectfully requests that the Court find Defendant Elon Musk in contempt of the Court's October 16, 2018 Final Judgment and order all necessary and appropriate relief to enforce its terms.

In response to the Court's March 12, 2019 order (Dkt. No. 29), the SEC respectfully submits that, because there appear to be no disputed issues of material fact, an evidentiary hearing is unnecessary.

Dated: March 18, 2019

s/ Cheryl L. Crumpton
Cheryl L. Crumpton*
E. Barrett Atwood*

*Admitted *pro hac vice*

U.S. Securities and Exchange Commission
100 F Street, N.E.
Washington, D.C. 20549
(202) 551-4459 (Crumpton)
crumptonc@sec.gov

44 Montgomery Street, Suite 2800
San Francisco, CA 94104
(415) 705-2467 (Atwood)
atwoode@sec.gov

Of counsel:

Erin E. Schneider
Steven Buchholz
Walker S. Newell

CERTIFICATE OF SERVICE

I certify that on March 18, 2019, a copy of the foregoing was filed through the Court's CM/ECF system, which will send copies to all counsel of record.

s/ Cheryl L. Crumpton
Counsel for the SEC

Deutsche Bank
Markets Research

Rating
Hold

North America
United States

Consumer
Autos & Auto Parts

Company
Tesla Inc.

Reuters	Bloomberg	Exchange	Ticker
TSLA.OQ	TSLA UN	NMS	TSLA

Date
3 May 2018

Forecast Change

Price at 2 May 2018 (USD)	301.15
Price target	365.00
52-week range	385.00 - 252.48

1Q18 a Bit Better, but Model 3 Ramp Remains the Story

Valuation & Risks

Rod Lache
Research Analyst
+1-212-250-5551

Shreyas Patil
Research Associate
+1-212-250-3916

Andrew Richard
Research Associate
+1-212-250-6559

Key changes			
EPS (USD)	-0.64 to -2.38	↓	271.9%
Revenue (USDm)	23,012.6 to 22,759.0	↓	-1.1%

Source: Deutsche Bank

Tesla's Q1 was a bit better than we expected w/r/t gross profit, improving 500 bps sequentially to 18.8% (we expected 200 bps), largely on improved profitability of Model S/X (improved to >25% vs.~20% in 4Q17). As expected, Model 3 experienced a significant negative gross margin. Free cash burn in the qtr was roughly $900 MM, weaker than our ($500 MM) estimated, entirely due to working capital variances (e.g. higher number of in-transit S/X had a $120 MM negative impact, while the sharp ramp-up in Model 3 deliveries late in the qtr negatively impacted Receivables by $169 MM; both items were cash inflows at the start of Q2).

Investors' main questions related to the trajectory of Model 3 production, the trajectory of profitability, and the trajectory of free cash flow/burn. In addressing these questions Tesla reiterated its near-term production target of 5,000 Model 3's per week by the end of Q2, while providing some additional color on the current state of play. Improvements at Gigifactory have ramped-up sustained battery pack production to 3,000/wk, with the Body Shop at Freemont also sustaining that level of build. Tesla is still working to get Freemont Final Assembly and its Paint Shop up to the sustained 3,000 run-rate. Interestingly, the company noted it believes it will get M3 up to 5k/wk by 2Q without implementation of its new, automated battery assembly line (developed at its Groehmann facility). This line is expected to come online in 3Q18 and should both increase M3 production (we est by 2,000-2,500/wk), while lower manufacturing costs.

Perhaps most importantly, TSLA reiterated their target of achieving positive free cash flow during 2H18. This is nothing new, though confidence around achieving this target clearly remains the most critical (potentially positive) near term driver of Tesla's shares.

The only noteworthy new negative datapoint was Tesla also pushed out the timeline for achieving their 25% gross margin target on Model 3 to 2019 from 2H18. Mgmt. attributed this push-out to raw materials, tariffs, FX, and additional labor needed to circumvent automated production bottlenecks.

Other key takeaways:

- Record demand for Model S/X (though we anticipate that questions will remain about German Lux competitors entering in 2019, or even competition from Model 3 once production ramps)

- There's still a solid demand pipeline for Model 3, with 450,000 orders (and we would anticipate orders could accelerate once the vehicle wait time declines).
- Major questions about manufacturing competitiveness (i.e. comparative labor hours per vehicle, depreciation per vehicle, etc) remain. Our high level work does not suggest that Tesla is competitive (e.g. Depreciation per Model 3 at "under $2,000" compares with other OEM's at $1,000-$1,500). But we do not believe that a thousand dollar cost disadvantage will derail the company's profit targets… the Model 3 ASP of $55,000+ can accommodate near term weaknesses in manufacturing.

Updated Estimates and Valuation:

We have fine-tuned our estimates following 1Q results and updated guidance. Overall, we expect Auto gross margins of 21% in 2018 (25% for Model S & X, with M3 getting to 20% by 4Q18). We estimated cash burn of $500 MM in 2Q18 (total cash position of $2.2 bn, the lowest point in the yr but still well above TSLA's $1.0-$1.5 bn minimum cash level), with positive free cash flow by 4Q18 (see Exhibit 1 for more details). Our DCF-derived TP remains unchanged at $365. Overall, while we admire the ambitiousness of Tesla's goals, and there are clear signs strong demand remains for the company's core products, we remain cognizant of the significant execution risks. As such, we maintain our Hold rating.

Forecasts and ratios

Year End Dec 31	2017A	2018E	2019E
1Q EPS	-1.74	-3.80A	–
2Q EPS	-1.73	-1.86	–
3Q EPS	-3.23	0.76	–
4Q EPS	-3.62	2.31	–
FY EPS (USD)	-10.35	-2.38	12.29

Source: Deutsche Bank estimates, company data

Figure 1: TSLA Summary Metrics

Tesla Key Metrics	1Q17	2Q17	3Q17	4Q17	1Q18E	2Q18E	3Q18E	4Q18E	F2017	F2018E	F2019E	F2020E
Deliveries												
Model S	13,501	12,016	14,065	15,305	10,070	10,000	20,000	13,500	54,887	53,570	53,570	53,570
Model X	11,550	10,010	11,865	13,120	11,730	11,000	12,000	12,000	46,545	46,730	46,730	46,730
Model 3 / Y	-	-	220	1,542	8,180	27,000	48,000	64,500	1,762	147,680	350,000	500,000
Total	**25,051**	**22,026**	**26,150**	**29,967**	**29,980**	**48,000**	**80,000**	**90,000**	**103,194**	**247,980**	**450,300**	**600,300**
Auto Revenue ($MM)	**2,290**	**2,287**	**2,363**	**2,702**	**2,735**	**3,658**	**5,789**	**6,236**	**9,641**	**18,419**	**28,318**	**33,034**
Auto Gross Profit	637	646	442	527	555	614	1,185	1,462	2,252	3,815	6,840	8,577
Gross Margin	**27.8%**	**28.3%**	**18.7%**	**19.5%**	**20.3%**	**16.8%**	**20.5%**	**23.4%**	**23.4%**	**20.7%**	**24.2%**	**26.0%**
Gross Margin ex-ZEV	27.8%	25.0%	18.7%	13.8%	18.8%	16.8%	20.5%	23.4%	21.1%	20.5%	24.2%	26.0%
Service/Energy/Other Revenue	193	216	304	288	263	285	395	523	1,001	1,466	1,927	2,544
Service/Other Gross Profit	(21)	(55)	(63)	(89)	(118)	(54)	(87)	(71)	(228)	(330)	(104)	(67)
Gross Margin	-11.0%	-25.4%	-20.7%	-30.7%	-44.6%	-19.1%	-22.0%	-13.6%	-22.8%	-22.5%	-5.4%	-2.6%
Total Revenue	**2,696**	**2,790**	**2,985**	**3,288**	**3,409**	**4,542**	**6,941**	**7,868**	**11,759**	**22,759**	**34,677**	**41,784**
Total Gross Profit	678	674	459	455	472	725	1,264	1,558	2,266	4,018	7,829	10,100
Gross Margin	**25.1%**	**24.2%**	**15.4%**	**13.8%**	**13.8%**	**16.0%**	**18.2%**	**19.8%**	**19.3%**	**17.7%**	**22.6%**	**24.2%**
EBITDA	223	264	(22)	6	(39)	271	786	1,080	471	2,097	5,464	7,276
margin	8.3%	9.5%	-0.7%	0.2%	-1.1%	6.0%	11.3%	13.7%	4.0%	9.2%	15.8%	17.4%
EBIT	(154)	(125)	(423)	(464)	(455)	(194)	263	547	(1,165)	161	3,196	4,755
margin	-5.7%	-4.5%	-14.2%	-14.1%	-13.4%	-4.3%	3.8%	7.0%	-9.9%	0.7%	9.2%	11.4%
Net Income	(282)	(285)	(540)	(609)	(643)	(321)	134	415	(1,716)	(415)	2,186	3,305
EPS	**$ (1.74)**	**$ (1.73)**	**$ (3.23)**	**$ (3.62)**	**$ (3.80)**	**$ (1.86)**	**$ 0.76**	**$ 2.31**	**$ (10.35)**	**$ (2.38)**	**$ 12.29**	**$ 18.23**
Basic Shares	162.1	165.2	167.3	168.3	169.1	172.5	176.0	179.5	165.7	174.3	177.8	181.3
Diluted Shares	165.1	165.2	167.3	168.3	169.1	172.5	176.0	179.5	166.5	174.3	177.8	181.3
FCF Adj for Indirect Leasing												
GAAP Operating Cash Flow	(69.8)	(200.2)	(300.6)	509.9	(398.4)	364.4	679.3	1,292.9	(60.7)	1,938.2	5,182.0	5,903.0
Collateralized Lease Borrowing	241.1	149.3	80.8	211.7	86.9	110.7	101.8	81.0	682.9	380.4	357.5	719.9
Core Operating Cash Flow	**171.3**	**(50.9)**	**(219.8)**	**721.6**	**(311.4)**	**475.1**	**781.1**	**1,373.8**	**622.2**	**2,318.6**	**5,539.5**	**6,622.9**
CAPEX	(552.6)	(959.1)	(1,116.4)	(786.7)	(655.7)	(973.5)	(826.0)	(494.8)	(3,414.8)	(2,950.0)	(3,200.0)	(3,300.0)
Adjusted FCF	**(381.4)**	**(1,009.9)**	**(1,336.2)**	**(65.1)**	**(967.1)**	**(498.4)**	**(44.9)**	**879.0**	**(2,792.6)**	**(631.4)**	**2,339.5**	**3,322.9**
Total Change in Cash Position	613.4	(970.7)	494.1	(162.1)	(745.3)	(411.9)	33.7	970.2	(25.3)	334.0	3,114.7	3,967.3

Source: Company filings, Deutsche Bank estimates

Appendix 1

Important Disclosures

*Other information available upon request

Disclosure checklist

Company	Ticker	Recent price*	Disclosure
Tesla Inc.	TSLA.OQ	301.15 (USD) 2 May 2018	1, 2, 6, 7, 8, 9, 14, 15

*Prices are current as of the end of the previous trading session unless otherwise indicated and are sourced from local exchanges via Reuters, Bloomberg and other vendors . Other information is sourced from Deutsche Bank, subject companies, and other sources. For disclosures pertaining to recommendations or estimates made on securities other than the primary subject of this research, please see the most recently published company report or visit our global disclosure look-up page on our website at https://research.db.com/Research/Disclosures/CompanySearch. Aside from within this report, important risk and conflict disclosures can also be found at https://research.db.com/Research/Topics/Equities?topicId=RB0002. Investors are strongly encouraged to review this information before investing.

Important Disclosures Required by U.S. Regulators

Disclosures marked with an asterisk may also be required by at least one jurisdiction in addition to the United States.See Important Disclosures Required by Non-US Regulators and Explanatory Notes.

1. Within the past year, Deutsche Bank and/or its affiliate(s) has managed or co-managed a public or private offering for this company, for which it received fees.
2. Deutsche Bank and/or its affiliate(s) makes a market in equity securities issued by this company.
6. Deutsche Bank and/or its affiliate(s) owns one percent or more of a class of common equity securities of this company calculated under computational methods required by US law.
7. Deutsche Bank and/or its affiliate(s) has received compensation from this company for the provision of investment banking or financial advisory services within the past year.
8. Deutsche Bank and/or its affiliate(s) expects to receive, or intends to seek, compensation for investment banking services from this company in the next three months.
14. Deutsche Bank and/or its affiliate(s) has received non-investment banking related compensation from this company within the past year.
15. This company has been a client of Deutsche Bank Securities Inc. within the past year, during which time it received non-investment banking securities-related services.

Important Disclosures Required by Non-U.S. Regulators

Disclosures marked with an asterisk may also be required by at least one jurisdiction in addition to the United States.See Important Disclosures Required by Non-US Regulators and Explanatory Notes.

1. Within the past year, Deutsche Bank and/or its affiliate(s) has managed or co-managed a public or private offering for this company, for which it received fees.
2. Deutsche Bank and/or its affiliate(s) makes a market in equity securities issued by this company.
6. Deutsche Bank and/or its affiliate(s) owns one percent or more of a class of common equity securities of this company calculated under computational methods required by US law.
7. Deutsche Bank and/or its affiliate(s) has received compensation from this company for the provision of investment banking or financial advisory services within the past year.
9. Deutsche Bank and/or its affiliate(s) owns one percent or more of any class of common equity securities of this company calculated under computational methods required by India law.

For disclosures pertaining to recommendations or estimates made on securities other than the primary subject of this research, please see the most recently published company report or visit our global disclosure look-up page on our website at https://research.db.com/Research/Disclosures/CompanySearch

Analyst Certification

The views expressed in this report accurately reflect the personal views of the undersigned lead analyst(s) about the subject issuer and the securities of the issuer. In addition, the undersigned lead analyst(s) has not and will not receive any compensation for providing a specific recommendation or view in this report. Rod Lache

Historical recommendations and target price. Tesla Inc. (TSLA.OQ)

(as of 05/02/2018)

Current Recommendations

Buy
Hold
Sell
Not Rated
Suspended Rating

** Analyst is no longer at Deutsche Bank

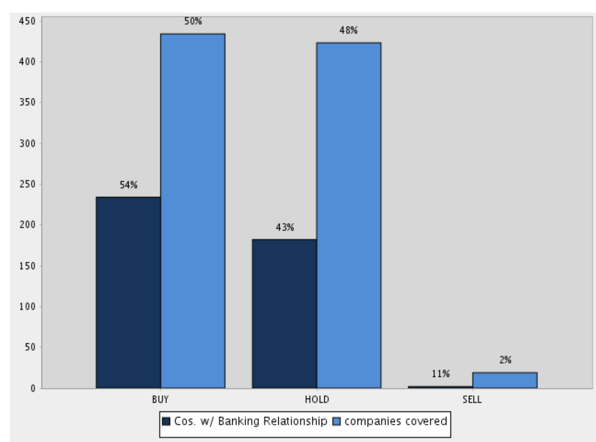
1.	07/07/2015	Hold, Target Price Change USD 280,00 Rod Lache
2.	05/05/2016	Hold, Target Price Change USD 290,00 Rod Lache
3.	12/12/2016	Hold, Target Price Change USD 215,00 Rod Lache
4.	03/14/2017	Hold, Target Price Change USD 220,00 Rod Lache
5.	03/20/2017	Hold, Target Price Change USD 240,00 Rod Lache
6.	09/05/2017	Hold, Target Price Change USD 320,00 Rod Lache
7.	11/02/2017	Hold, Target Price Change USD 310,00 Rod Lache
8.	02/08/2018	Hold, Target Price Change USD 365,00 Rod Lache

Equity Rating Key

Buy: Based on a current 12- month view of total share-holder return (TSR = percentage change in share price from current price to projected target price plus pro-jected dividend yield) , we recommend that investors buy the stock.
Sell: Based on a current 12-month view of total share-holder return, we recommend that investors sell the stock.
Hold: We take a neutral view on the stock 12-months out and, based on this time horizon, do not recommend either a Buy or Sell.

Newly issued research recommendations and target prices supersede previously published research.

Equity rating dispersion and banking relationships



Additional Information

The information and opinions in this report were prepared by Deutsche Bank AG or one of its affiliates (collectively "Deutsche Bank"). Though the information herein is believed to be reliable and has been obtained from public sources believed to be reliable, Deutsche Bank makes no representation as to its accuracy or completeness. Hyperlinks to third-party websites in this report are provided for reader convenience only. Deutsche Bank neither endorses the content nor is responsible for the accuracy or security controls of those websites.

If you use the services of Deutsche Bank in connection with a purchase or sale of a security that is discussed in this report, or is included or discussed in another communication (oral or written) from a Deutsche Bank analyst, Deutsche Bank may act as principal for its own account or as agent for another person.

Deutsche Bank may consider this report in deciding to trade as principal. It may also engage in transactions, for its own account or with customers, in a manner inconsistent with the views taken in this research report. Others within Deutsche Bank, including strategists, sales staff and other analysts, may take views that are inconsistent with those taken in this research report. Deutsche Bank issues a variety of research products, including fundamental analysis, equity-linked analysis, quantitative analysis and trade ideas. Recommendations contained in one type of communication may differ from recommendations contained in others, whether as a result of differing time horizons, methodologies, perspectives or otherwise. Deutsche Bank and/or its affiliates may also be holding debt or equity securities of the issuers it writes on. Analysts are paid in part based on the profitability of Deutsche Bank AG and its affiliates, which includes investment banking, trading and principal trading revenues.

Opinions, estimates and projections constitute the current judgment of the author as of the date of this report. They do not necessarily reflect the opinions of Deutsche Bank and are subject to change without notice. Deutsche Bank provides liquidity for buyers and sellers of securities issued by the companies it covers. Deutsche Bank research analysts sometimes have shorter-term trade ideas that may be inconsistent with Deutsche Bank's existing longer-term ratings. Some trade ideas for equities are listed as SOLAR ideas on the Research Website (https://research.db.com/Research/) , and can be found on the general coverage list and also on the covered company ' s page. A SOLAR idea represents a high-conviction belief by an analyst that a stock will outperform or underperform the market and/or a specified sector over a time frame of no less than two weeks and no more than six months. In addition to SOLAR ideas, analysts may occasionally discuss with our clients, and with Deutsche Bank salespersons and traders, trading strategies or ideas that reference catalysts or events that may have a near-term or medium-term impact on the market price of the securities discussed in this report, which impact may be directionally counter to the analysts' current 12-month view of total return or investment return as described herein. Deutsche Bank has no obligation to update, modify or amend this report or to otherwise notify a recipient thereof if an opinion, forecast or estimate changes or becomes inaccurate. Coverage and the frequency of changes in market conditions and in both general and company-specific economic prospects make it difficult to update research at defined intervals. Updates are at the sole discretion of the coverage analyst or of the Research Department Management, and the majority of reports are published at irregular intervals. This report is provided for informational purposes only and does not take into account the particular investment objectives, financial situations, or needs of individual clients. It is not an offer or a solicitation of an offer to buy or sell any financial instruments or to participate in any particular trading strategy. Target prices are inherently imprecise and a product of the analyst ' s judgment. The financial instruments discussed in this report may not be suitable for all investors, and investors must make their own informed investment decisions. Prices and availability of financial instruments are subject to change without notice, and investment transactions can lead to losses as a result of price fluctuations and other factors. If a financial instrument is denominated in a currency other than an investor's currency, a change in exchange rates may adversely affect the investment. Past performance is not necessarily indicative of future results. Performance calculations exclude transaction costs, unless otherwise indicated. Unless otherwise indicated, prices are current as of the end of the previous trading session and are sourced from local exchanges via Reuters, Bloomberg and other vendors. Data is also sourced from Deutsche Bank, subject companies, and other parties.

The Deutsche Bank Research Department is independent of other business divisions of the Bank. Details regarding our organizational arrangements and information barriers we have to prevent and avoid conflicts of interest with respect to our research are available on our website (https://research.db.com/Research/) under Disclaimer.

Macroeconomic fluctuations often account for most of the risks associated with exposures to instruments that promise to pay fixed or variable interest rates. For an investor who is long fixed-rate instruments (thus receiving these cash flows), increases in interest rates naturally lift the discount factors applied to the expected cash flows and thus cause a loss. The longer the maturity of a certain cash flow and the higher the move in the discount factor, the higher will be the loss. Upside surprises in inflation, fiscal funding needs, and FX depreciation rates are among the most common adverse macroeconomic shocks to receivers. But counterparty exposure, issuer creditworthiness, client segmentation, regulation (including changes in assets holding limits for different types of investors), changes in tax policies, currency convertibility (which may constrain currency conversion, repatriation of profits and/or liquidation of positions), and settlement issues related to local clearing houses are also important risk factors. The sensitivity of fixed-income instruments to macroeconomic shocks may be mitigated by indexing the contracted cash flows to inflation, to FX depreciation, or to specified interest rates – these are common in emerging markets. The index fixings may – by construction – lag or mis-measure the actual move in the underlying variables they are intended to track. The choice of the proper fixing (or metric) is particularly important in swaps markets, where floating coupon rates (i.e., coupons indexed to a typically short-dated interest rate reference index) are exchanged for fixed coupons. Funding in a currency that differs from the currency in which coupons are denominated carries FX risk. Options on swaps (swaptions) the risks typical to options in addition to the risks related to rates movements.

Derivative transactions involve numerous risks including market, counterparty default and illiquidity risk. The appropriateness of these products for use by investors depends on the investors' own circumstances, including their tax position, their regulatory environment and the nature of their other assets and liabilities; as such, investors should take expert legal and financial advice before entering into any transaction similar to or inspired by the contents of this publication. The risk of loss in futures trading and options, foreign or domestic, can be substantial. As a result of the high degree of leverage obtainable in futures and options trading, losses may be incurred that are greater than the amount of funds initially deposited – up to theoretically unlimited losses. Trading in options involves risk and is not suitable for all investors. Prior to buying or selling an option, investors must review the "Characteristics and Risks of Standardized Options", at http://www.optionsclearing.com/about/publications/character-risks.jsp. If you are unable to access the website, please contact your Deutsche Bank representative for a copy of this important document.

Participants in foreign exchange transactions may incur risks arising from several factors, including: (i) exchange rates can be volatile and are subject to large fluctuations; (ii) the value of currencies may be affected by numerous market factors, including world and national economic, political and regulatory events, events in equity and debt markets and changes in interest rates; and (iii) currencies may be subject to devaluation or government-imposed exchange controls, which could affect the value of the currency. Investors in securities such as ADRs, whose values are affected by the currency of an underlying security, effectively assume currency risk.

Deutsche Bank is not acting as a financial adviser, consultant or fiduciary to you or any of your agents with respect to any information provided in this report. Deutsche Bank does not provide investment, legal, tax or accounting advice, and is not acting as an impartial adviser. Information contained herein is being provided on the basis that the recipient will make an independent assessment of the merits of any investment decision, and is not meant for retirement accounts or for any specific person or account type. The information we provide is directed only to persons we believe to be financially sophisticated, who are capable of evaluating investment risks independently, both in general and with regard to particular transactions and investment strategies, and who understand that Deutsche Bank has financial interests in the offering of its products and services. If this is not the case, or if you or your agent are an IRA or other retail investor receiving this directly from us, we ask that you inform us immediately.

Unless governing law provides otherwise, all transactions should be executed through the Deutsche Bank entity in the investor's home jurisdiction. Aside from within this report, important conflict disclosures can also be found at https://research.db.com/Research/ on each company ' s research page. Investors are strongly encouraged to review this information before investing.

United States: Approved and/or distributed by Deutsche Bank Securities Incorporated, a member of FINRA, NFA and SIPC. Analysts located outside of the United States are employed by non-US affiliates that are not subject to FINRA regulations, including those regarding contacts with issuer companies.

Germany: Approved and/or distributed by Deutsche Bank AG, a joint stock corporation with limited liability incorporated in the Federal Republic of Germany with its principal office in Frankfurt am Main. Deutsche Bank AG is authorized under German Banking Law and is subject to supervision by the European Central Bank and by BaFin, Germany ' s Federal Financial Supervisory Authority.

United Kingdom: Approved and/or distributed by Deutsche Bank AG acting through its London Branch at Winchester House, 1 Great Winchester Street, London EC2N 2DB. Deutsche Bank AG in the United Kingdom is authorised by the Prudential Regulation Authority and is subject to limited regulation by the Prudential Regulation Authority and Financial Conduct Authority. Details about the extent of our authorisation and regulation are available on request.

Hong Kong: Distributed by Deutsche Bank AG, Hong Kong Branch or Deutsche Securities Asia Limited (save that any research relating to futures contracts within the meaning of the Hong Kong Securities and Futures Ordinance Cap. 571 shall be distributed solely by Deutsche Securities Asia Limited). The provisions set out above in the "Additional Information" section shall apply to the fullest extent permissible by local laws and regulations, including without limitation the Code of Conduct for Persons Licensed or Registered with the Securities and Futures Commission. .

India: Prepared by Deutsche Equities India Private Limited (DEIPL) having CIN: U65990MH2002PTC137431 and registered office at 14th Floor, The Capital, C-70, G Block, Bandra Kurla Complex Mumbai (India) 400051. Tel: + 91 22 7180 4444. It is registered by the Securities and Exchange Board of India (SEBI) as a Stock broker bearing registration nos.: NSE (Capital Market Segment) - INB231196834, NSE (F&O Segment) INF231196834, NSE (Currency Derivatives Segment) INE231196834, BSE (Capital Market Segment) INB011196830; Merchant Banker bearing SEBI Registration no.: INM000010833 and Research Analyst bearing SEBI Registration no.: INH000001741. DEIPL may have received administrative warnings from the SEBI for breaches of Indian regulations. The transmission of research through DEIPL is Deutsche Bank's determination and will not make a recipient a client of DEIPL. Deutsche Bank and/or its affiliate(s) may have debt holdings or positions in the subject company. With regard to information on associates, please refer to the “Shareholdings” section in the Annual Report at: https://www.db.com/ir/en/annual-reports.htm.

Japan: Approved and/or distributed by Deutsche Securities Inc.(DSI). Registration number - Registered as a financial instruments dealer by the Head of the Kanto Local Finance Bureau (Kinsho) No. 117. Member of associations: JSDA, Type II Financial Instruments Firms Association and The Financial Futures Association of Japan. Commissions and risks involved in stock transactions - for stock transactions, we charge stock commissions and consumption tax by multiplying the transaction amount by the commission rate agreed with each customer. Stock transactions can lead to losses as a result of share price fluctuations and other factors. Transactions in foreign stocks can lead to additional losses stemming from foreign exchange fluctuations. We may also charge commissions and fees for certain categories of investment advice, products and services. Recommended investment strategies, products and services carry the risk of losses to principal and other losses as a result of changes in market and/or economic trends, and/or fluctuations in market value. Before deciding on the purchase of financial products and/or services, customers should carefully read the relevant disclosures, prospectuses and other documentation. "Moody's", "Standard & Poor's", and "Fitch" mentioned in this report are not registered credit rating agencies in Japan unless Japan or "Nippon" is specifically designated in the name of the entity. Reports on Japanese listed companies not written by analysts of DSI are written by Deutsche Bank Group's analysts with the coverage companies specified by DSI. Some of the foreign securities stated on this report are not disclosed according to the Financial Instruments and Exchange Law of Japan. Target prices set by Deutsche Bank's equity analysts are based on a 12-month forecast period..

Korea: Distributed by Deutsche Securities Korea Co.

South Africa: Deutsche Bank AG Johannesburg is incorporated in the Federal Republic of Germany (Branch Register Number in South Africa: 1998/003298/10).

Singapore: This report is issued by Deutsche Bank AG, Singapore Branch or Deutsche Securities Asia Limited, Singapore Branch (One Raffles Quay #18-00 South Tower Singapore 048583, +65 6423 8001), which may be contacted in respect of any matters arising from, or in connection with, this report. Where this report is issued or promulgated by Deutsche Bank in Singapore to a person who is not an accredited investor, expert investor or institutional investor (as defined in the applicable Singapore laws and regulations), they accept legal responsibility to such person for its contents.

Taiwan: Information on securities/investments that trade in Taiwan is for your reference only. Readers should independently evaluate investment risks and are solely responsible for their investment decisions. Deutsche Bank research may not be distributed to the Taiwan public media or quoted or used by the Taiwan public media without written consent. Information on securities/instruments that do not trade in Taiwan is for informational purposes only and is not to be construed as a recommendation to trade in such securities/instruments. Deutsche Securities Asia Limited, Taipei Branch may not execute transactions for clients in these securities/instruments.

Qatar: Deutsche Bank AG in the Qatar Financial Centre (registered no. 00032) is regulated by the Qatar Financial Centre Regulatory Authority. Deutsche Bank AG - QFC Branch may undertake only the financial services activities that fall within the scope of its existing QFCRA license. Its principal place of business in the QFC: Qatar Financial Centre, Tower, West Bay, Level 5, PO Box 14928, Doha, Qatar. This information has been distributed by Deutsche Bank AG. Related financial products or services are only available only to Business Customers, as defined by the Qatar Financial Centre Regulatory Authority.

Russia: The information, interpretation and opinions submitted herein are not in the context of, and do not constitute, any appraisal or evaluation activity requiring a license in the Russian Federation.

Kingdom of Saudi Arabia: Deutsche Securities Saudi Arabia LLC Company (registered no. 07073-37) is regulated by the Capital Market Authority. Deutsche Securities Saudi Arabia may undertake only the financial services activities that fall within the scope of its existing CMA license. Its principal place of business in Saudi Arabia: King Fahad Road, Al Olaya District, P.O. Box 301809, Faisaliah Tower - 17th Floor, 11372 Riyadh, Saudi Arabia.

United Arab Emirates: Deutsche Bank AG in the Dubai International Financial Centre (registered no. 00045) is regulated by the Dubai Financial Services Authority. Deutsche Bank AG - DIFC Branch may undertake only the financial services activities that fall within the scope of its existing DFSA license. Its principal place of business in the DIFC: Dubai International Financial Centre, The Gate Village, Building 5, PO Box 504902, Dubai, U.A.E. This information has been distributed by Deutsche Bank AG. Related financial products or services are available only to Professional Clients, as defined by the Dubai Financial Services Authority.

Australia and New Zealand: This research is intended only for "wholesale clients" within the meaning of the Australian Corporations Act and New Zealand Financial Advisors Act, respectively. Please refer to Australia-specific research disclosures and related information at https://australia.db.com/australia/content/research-information.html Where research refers to any particular financial product recipients of the research should consider any product disclosure statement, prospectus or other applicable disclosure document before making any decision about whether to acquire the product.

Additional information relative to securities, other financial products or issuers discussed in this report is available upon request. This report may not be reproduced, distributed or published without Deutsche Bank's prior written consent.

David Folkerts-Landau
Group Chief Economist and Global Head of Research

Raj Hindocha
Global Chief Operating Officer
Research

Michael Spencer
Head of APAC Research
Global Head of Economics

Steve Pollard
Head of Americas Research
Global Head of Equity Research

Anthony Klarman
Global Head of
Debt Research

Paul Reynolds
Head of EMEA
Equity Research

Dave Clark
Head of APAC
Equity Research

Pam Finelli
Global Head of
Equity Derivatives Research

Andreas Neubauer
Head of Research - Germany

Spyros Mesomeris
Global Head of Quantitative
and QIS Research

International Production Locations

Deutsche Bank AG
Deutsche Bank Place
Level 16
Corner of Hunter & Phillip Streets
Sydney, NSW 2000
Australia
Tel: (61) 2 8258 1234

Deutsche Bank AG
Mainzer Landstrasse 11-17
60329 Frankfurt am Main
Germany
Tel: (49) 69 910 00

Deutsche Bank AG
Filiale Hongkong
International Commerce Centre,
1 Austin Road West,Kowloon,
Hong Kong
Tel: (852) 2203 8888

Deutsche Securities Inc.
2-11-1 Nagatacho
Sanno Park Tower
Chiyoda-ku, Tokyo 100-6171
Japan
Tel: (81) 3 5156 6770

Deutsche Bank AG London
1 Great Winchester Street
London EC2N 2EQ
United Kingdom
Tel: (44) 20 7545 8000

Deutsche Bank Securities Inc.
60 Wall Street
New York, NY 10005
United States of America
Tel: (1) 212 250 2500

December 13, 2018

Tesla (TSLA)

Rollercoaster Ride with Model 3 Production Turning the Corner; Initiating at OP

Rating:
OUTPERFORM
Price:
$377.03
12-Month Price Target:
$440.00

Analysts
Daniel Ives
212-344-2073
Dan.Ives@wedbush.com
Strecker Backe
212-833-1367
Strecker.Backe@wedbush.com

Company Information

Shares Outst (M)	179.5
52-Week Range	$244.59 - $387.46
Market Cap (M)	$67,676.9
Enterprise Value (M)	$75,927

REV (M)			in $
FYE Dec	2017A	2018E	2019E
Q1 Mar	2,696.3A	3,408.8A	7,381.3E
Q2 Jun	2,789.6A	4,002.2A	7,532.4E
Q3 Sep	2,984.7A	6,824.4A	7,733.4E
Q4 Dec	3,288.2A	7,188.5E	7,497.5E
Year*	**11,758.8A**	**21,423.9E**	**30,144.7E**

EPS			in $
FYE Dec	2017A	2018E	2019E
Q1 Mar	(1.33)A	(3.36)A	1.25E
Q2 Jun	(1.33)A	(3.06)A	1.22E
Q3 Sep	(2.92)A	2.90A	1.57E
Q4 Dec	(3.05)A	1.98E	1.43E
Year*	**(8.67)A**	**(1.25)E**	**5.47E**
P/E	NM	NM	68.9x

Pricing data provided by Thomson Reuters.
**Numbers may not add up due to rounding.*

The Wedbush View

We are initiating coverage of Tesla with an OUTPERFORM rating and $440 price target. Tesla has evolved into one of the most dynamic technology innovators over the last 30 years and, in our opinion, has put itself into an esteemed category of companies such as Apple and Amazon that have revolutionized consumer buying habits and behaviors over the last decade. In our opinion, the company has the most impressive product roadmap out of any technology/auto vendor around and will be a “game changing” driving force for the EV transformation over the next decade with Model 3 front and center. While no investor will argue the innovation that Elon Musk & Co. have built at Tesla as the success is evident for anyone that has driven on a road over the last few years, the real fundamental question around what the stock is worth is complex given the confluence of issues surrounding the name heading into 2019. From a potential capital raise on the horizon, laser-focused Model 3 production metrics and profitability trajectory, lingering SEC/DOJ overhang stemming from Musk’s “going private” tweetstorm, to China TAM and the investments needed to get there, are just a few of the main debatable investor topics around Tesla over the next 12 to 18 months. While in this initiation report we will dig into each of these key topics in more detail, overall seeing the forest through the trees we believe Tesla has the most innovative product roadmap in the technology space over the next 5 to 10 years. With its flagship Model 3 poised to catalyze a broader move to electronic vehicles, renewable energy, and eventually broader ambitions for Musk and Tesla that will lead to further innovations around battery production and self-driving cars looking out into 2020 and beyond that should further transform Tesla into a technology titan over the coming years despite the near-term turbulence around the name. In a nutshell, the Tesla Model 3 production analysis we have built is the linchpin to our broader bull thesis and valuation on the company as we look out on the potential of this disruptive consumer technology play over the next decade. While this will be a bumpy road and never a smooth straight line with Musk & Co. at the helm, we believe Tesla has a golden opportunity to ramp Model 3 unit sales in 2019 and beyond and thus translate into massive FCF and profitability as we look out into 2022-2030 based on this detailed auto unit analysis.

Investment Overview

Tesla has evolved into one of the most dynamic technology innovators and, in our opinion, has put itself into an esteemed category of companies such as Apple and Amazon that have revolutionized consumer buying habits and behaviors over the last decade. In our opinion Tesla has the most impressive product roadmap out of any technology/ auto vendor around and will be a “game changing” driving force for the EV transformation over the next decade with Model 3 front and center. While no investor will argue the innovation that Elon Musk & Co. have built at Tesla as the success is evident for anyone that has driven on a road over the last few years, the real fundamental question around what the stock is worth is complex given the confluence of issues at Tesla/Musk & Co. While there are a number of hot topic variables around China demand and the impact on the company's model over the next decade, ramping Model 3 production, the Musk dynamic, Autopilot functionality (and missteps/crashes) and a stretched balance sheet, we ultimately believe Tesla has an opportunity to morph itself into an "Apple-like consumer brand."

Bear Case

Model 3 production hits a major bottleneck in Fremont, fails to meet demand/GM sees pressure. Street's FY20 projections fail to materialize with mid-range/base models softer demand. Capital raise.

Base Case

Model 3 production and demand targets met; profitability ramp in FY19 and beyond meets Street expectations with the mid-range and base vehicle on time. No capital raise.

Bull Case

Model 3 production hits the 10k per week target earlier than expected. GM exceeds target goals with success of mid-range and base model exceeding demand. China TAM materializes; Giga 3 ramps.

Upcoming Catalysts

Earnings in late January. Model 3 production trajectory heading into 2019. Settling of lingering DOJ investigation and shareholder lawsuits.

Primary Value Driver

Model 3 demand trajectory over the next 2 to 3 years coupled by production yield and ability to meet EV demand at target GM's. Profitability/cash flow projections for 2020 and beyond are key.

Valuation

With $22 of earnings power by 2025 and our FCF projections of $5 billion by 2025 we believe a valuation of $440 is fair. At $440 Telsa would trade at EV/Rev of 1.2x and EV/EBITDA of 9x.

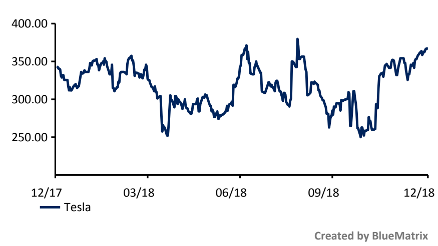
Investor Sentiment

Positive

Company Description

Tesla, Inc. designs, develops, manufactures, and sells electric vehicles, and energy generation and storage systems. The company's core automotive segment with Model 3 as its flagship vehicle has established itself as a leader in the EV segment.

Price Performance



Source: EDI

WEDBUSH | DEBATE

Debatable Point	Our Thoughts	Time Frame	Impact
Are Model 3 production levels sustainable at current GM and profitable trajectories into 2019/2020?	Tesla has turned the corner on Model 3 production, demand looks strong into 2019/2020 and beyond based on underlying drivers for the EV market, and the financial model now is poised to generate improved profitability and cash flow that puts the risk of a capital raise in the background for now. We believe a production run rate trending towards 7k per week in early 2019 and annual production close to 325k-350k is a firm base to build upon as Musk & Co. aim for its target goal of 10k per week.	12-18 months	⬆
Is a capital raise on the horizon given Tesla's debt load?	Based on our current model and GM analysis of Model 3 production over the next three years we believe Tesla's profitability trajectory and cash generation should be ample to meet the company's ~$1.5 billion of debt obligations around the corner in the coming year with two more tranches due in March 2019 ($920 million) and November 2019 ($566 million). We believe the model is self-funding from here, however there is still a chance Tesla does a capital raise to give it more balance sheet flexibility.	6-12 months	⬆
Is a $35k base Model 3 a reality or a pipe dream with production slated for 2019?	We believe the company's $35k base Model 3 ramp will be at the center of the bull/bear thesis on Tesla heading into 1H2019 as starting production in 1Q19 (target plan as of now) will be another step forward for Musk and Tesla to pour water on the lingering Tesla bear thesis. We note there are some Tesla skeptics that believe a $35k base model is a pipe dream and will never hit the market given the current product yield and cost structure around Model 3 production which speaks to why it is so important for Musk & Co. to produce mid-range ($46k) and base model ($35k) versions during the course of 2019.	6-12 months	⬆

We are Initiating Coverage of Telsa with an OUTPERFORM rating and $440 Price Target

We are initiating coverage of Tesla with an OUTPERFORM rating and $440 price target. Tesla has evolved into one of the most dynamic technology innovators over the last 30 years and, in our opinion, has put itself into an esteemed category of companies such as Apple and Amazon that have revolutionized consumer buying habits and behaviors over the last decade. In our opinion, the company has the most impressive product roadmap out of any technology/auto vendor around and will be a "game changing" driving force for the EV transformation over the next decade with Model 3 front and center. While no investor will argue the innovation that Elon Musk & Co. have built at Tesla as the success is evident for anyone that has driven on a road over the last few years, the real fundamental question around what the stock is worth is complex given the confluence of issues surrounding the name heading into 2019. From a potential capital raise on the horizon, laser-focused Model 3 production metrics and profitability trajectory, lingering SEC/DOJ overhang stemming from Musk's "going private" tweetstorm, to China TAM and the investments needed to get there, are just a few of the main debatable investor topics around Tesla over the next 12 to 18 months. While in this initiation report we will dig into each of these key topics in more detail, overall seeing the forest through the trees we believe Tesla has the most innovative product roadmap in the technology space over the next 5 to 10 years. With its flagship Model 3 poised to catalyze a broader move to electronic vehicles, renewable energy, and eventually broader ambitions for Musk and Tesla that will lead to further innovations around battery production and self-driving cars looking out into 2020 and beyond that should further transform Tesla into a technology titan despite the near-term turbulence around the name. The company's efficiency in the EV space is in a league of its own from a battery cost perspective and unparalleled Supercharger network that continues to be major competitive advantages as established automakers look to go after market share vs. Tesla in 2019 and beyond.

Tesla in the driver's seat on the EV secular shift. With the overall EV market representing between 1.5% and 2% of new vehicles sold worldwide today with industry forecasts indicating overall EV sales could reach 8% of all new vehicles by 2025, it is clear that Tesla is in the driver's seat on the EV market and is poised to see demand accelerate over the coming years especially with mid-range and lower price points on the horizon, which will be a major catalyst for growth. Gross margins ramping by 350 bps to 400 bps or more over the next three years will be key to the model transformation of Tesla, with battery technology efficiencies over the coming years being driven by Fremont and Gigafactory 1 and 3. On the gross margin front the big conundrum is that Tesla needs to ramp production of its lower priced $46k mid-range and eventually $35k base models to drive broader consumer demand, while importantly increasing GM's toward the mid 20% range over time. Herein lies a major challenge for Musk & Co. during the course of 2019/2020, as the company has navigated many production and cash flow challenges over the past year with another hurdle and balancing act ahead, as Telsa drives mass production on Model 3 and must maintain an optimal financial profile during this transition. While there are a number of hot topic variables around China demand and the impact on the company's model over the next decade, ramping Model 3 production, the Musk dynamic, Autopilot functionality (and missteps/crashes) and a stretched balance sheet, we ultimately believe Tesla has an opportunity to morph itself into an "Apple-like consumer brand" with the next 12 to 18 months, a pivotal window for the company to further separate itself from traditional US/German auto players now looking to double down on the EV market over the next decade that have been late to the game.

Balancing act for Musk & Co. in the near term with debt payments ahead. With profitability targets moved up ahead of Street expectations based on the company's impressive 3Q performance, which surprised even the most bullish investors and Model 3 production now past the Nightmare on Elm Street bottlenecks and issues seen over the last year, it all comes down to gauging consumer demand and the product roadmap for the mid-range and base versions ($35k) heading into next year. Will there be enough production and profitability to halt a capital raise, which remains a lingering overhang on the name, herein lies a major debate around Tesla. To this point, while we believe the company's model is self-funding from a cash flow perspective going forward and could now pay down debt tranches over the next year, we do believe a capital raise of between $2 billion to $2.5 billion could be still on the docket (30%-35% chance, in our opinion) over the next 12 to 18 months as Musk & Co. aggressively invest into core Tesla production as well as a host of related initiatives (Gigafactory 3, Tesla Energy, Semi, solar, ride sharing) over the coming years and thus give themselves more flexibility on the balance sheet/cap ex if they (and the board) decide to head down this path. In a nutshell, Tesla has turned the corner on Model 3 production, demand looks strong into 2019/2020 and beyond based on underlying drivers for the EV market, and the financial model now is poised to generate improved profitability and cash flow that puts the risk of a capital raise in the background for now. However, there is no room for major production errors or another distraction from Musk over the coming year given its cash flow balancing act needed, coupled with the company still caught in the midst of ongoing shareholder lawsuits/DOJ investigation relating to the "going private saga" from a few months ago. Looking out over the next decade, we believe Tesla and Model 3 have the opportunity to transform consumer auto buying behavior and capitalize on this unprecedented market opportunity and its leadership position in the EV market with the Street now focusing on the demand opportunity rather than the production issues, which had been clouding the company's future over the last year. From a capex perspective we believe levels between $2.2 billion to $2.3 billion appear fair for FY2019 with a ramp to $2.7 billion in FY20 based on our analysis with more resources around Gigafactory 3 in China front and center as a driver for potentially higher levels of investments looking ahead.

More Model 3 Production = Key to Cash Flow and Profitability Ramp

2019 will be a crucial year to monitor the supply/demand balance around Model 3 production out of Telsa's flagship Fremont factory while carefully monitoring the GM and profitability trajectory as demand data points on the base price version of $35k are crucial to the company's overall capital structure. We also note with US tax credits on electronic vehicles going from $7,500 in 2018 to $3,750 in 1H19 and $1,875 in 2H19, coupled by the current price of fuel, many investors are betting that demand drivers around Model 3 production could fade on the high end of the market (coupled by heightened competition from the likes of Porsche and Jaguar) and result in a significant capital raise by Tesla over the next 3 to 6 months in light of its mounting debt pile and thus representing a major overhang on the stock. To this point, as evidenced last quarter, Tesla's profitability ramped/ has been accelerated vs. the Street's original expectations as the stepped-up Model 3 production out of Fremont with bottlenecks in the rear view mirror, better expense controls, and an eventual move toward more vertical production over the next 3-4 years now appears on the horizon and thus took a big step forward over the past few months. This has been a huge relief to investors, coupled by the recent settling of Musk/Tesla's case with the SEC stemming from his going private tweets, which has resulted in a stock rebounding dramatically from the lows seen in early September.

Capital raise not on the horizon...but. Based on our current model and GM analysis of Model 3 production over the next three years, we believe Tesla's profitability trajectory and cash generation should be ample to meet the company's ~$1.5 billion of debt obligations around the corner in the coming year with two more tranches due in March 2019 ($920 million) and November 2019 ($566 million). After a rollercoaster ride around Model 3 production hitting the elusive 5k per week now in the books, we believe the next goal will be around reaching a production run rate of 10k Model 3s per week over the next 12 to 24 months and importantly, hitting target GMs in the 25% range on Model 3. We believe a production run rate trending toward 7k per week in early 2019 and annual production close to 325k-350k is a firm base to build upon as Musk & Co. aim for its target goal of 10k per week. While production yields are still not at capacity in Fremont and Gigafactory 1, we believe the company's $35k base Model 3 ramp will be at the center of the bull/bear thesis on Tesla heading into 1H2019 as starting production in 1Q19 (target plan as of now) will be another step forward for Musk and Tesla to pour water on the lingering Tesla bear thesis. We note there are some Tesla skeptics that believe a $35k base model is a pipe dream and will never hit the market given the current production yield and cost structure around Model 3 production, which speaks to why it is so important for Musk & Co. to produce mid-range ($46k) and base model ($35k) versions during the course of 2019. As of today the delivery estimate for the mid-range vehicle is for 6 to 10 weeks from now, which we are modeling to slowly improve as production ramps during the course of 2019. We also believe pent up in demand around Model Y and Roadster (Semi still a wild card in our opinion) will be incremental demand drivers starting in 2020 which we are modeling as further catalysts for Tesla as the company expands its leadership market on the EV market over the next decade. Geographically speaking, a key incremental growth driver for Tesla over the coming years will be opening up new consumer market opportunities in Europe and particularly China front and center. In China with reduced tariffs, an untapped EV market opportunity, and Gigafactory 3 on the horizon, we believe this represents a golden market opportunity for Musk & Co. starting in 2020 and in our opinion is a key ingredient in Tesla's recipe for success over the next decade as illustrated in our Wedbush Tesla Delivery Model (*pages 9-10*).

Model 3 Production Ramp Analysis-A Deeper Dive and Key to the Tesla Bull Case

Based on our scenario analysis we believe Tesla's GM profile can stay in the 20%+ range even with a mid-ish teen GM profile initially (could be lower to start) on Model 3 $35k base versions slated to hit the market during the course of 2019. While the skeptics have serious doubts around the production trajectory for the base Model 3 version slated to start in 1Q19, we ultimately believe the success of this lower end, mainstream model and mid-range version will be key to Tesla's ability to navigate through its debt and cash flow obligations over the next 12 to 18 months without having to raise additional capital. As of now Tesla is paying off its first tranche of debt and not factoring in a capital raise to its forecast although this could change if base Model 3 production hits a major snag in 2019 and/or disruptions hitting consistent 7k production targets eventually moving to 10k manifests out of Fremont and Gigafactory. With current Revs/Unit for Model 3 in the $60k range this past quarter having driven GM to ~23%, we believe these levels can sustain through most of 2019 and 2020 although with the $46k mid-range and $35k base model on the way this could see downward pressure especially in 1H19 with a lift back towards the low 20's with the march to 25% on tap by 2025. We note the base $35k Model 3 goal is on target to go live on the factory floor in late 1Q19 and while profitability will be in the red the first 6 to 9 months and margin dilutive, we believe this model along with more affordable leasing options will open up a much broader consumer market opportunity for Tesla over the next few years. We note that Model 3 gross margin was guided to track in line with 4Q as in 3Q (~20%), while on the other hand Model S and X margins should also stay constant despite China trade tensions and a handful of other near-term pressures. With long-term gross margins targets of roughly 25% for Model 3 expected to be an aggressive high bar to hit over time, the Street will be laser focused on this balancing act over the next 12 to 18 months especially with the ramp of the $35k model on the horizon.

Scenario analysis around Model 3 production. While Tesla struggled for the last year to reach the elusive 5k per week threshold, now the company is producing at a run rate of roughly 6k per week (850 per day) with the next major goal to hit 10k per week in production as the next key target during 2019. The key now for Tesla and Musk is around further expansion into higher consumer volume segments with price points on the mid range and base range Model 3 appealing to the broader consumer buyer over the coming year. While the upside is increased market share in these higher volume segments the ultimate worry is that with the current cost to produce Model 3 at $28k - $34k based on industry analysis how can you sell a car at ~$35k? To this point its all about production yield, more vertical integration expansion, and further production out of Gigafactory 1 and eventually Gigafactory 3 (flagship Shanghai build out under way) set to see production in 2H19. While further efficiencies on Model 3 production and an expected ramp in R&D over the coming 12 to 18 months to fund a host of projects around Model 3, autopilot, ride sharing, and other skunk works initiatives, we believe over the next 5 to 10 years a more efficient production ramp and process will enable Tesla to see a discernible jump in profitability and margins beginning in 2020. In our model, we take a deep dive and an analysis of where we view unit volume and average price points for Tesla's auto production going forward. There are two major focal points from the perspective of the Street on this unit volume model: 1.) Can unit volume reach over 1 million units annually by 2025 and approach 2 million units annually by 2030 and 2.) Will the EBIT and FCF ramp be quick enough that Tesla does not need a significant capital raise in the next 12 to 18 months. Ultimately while demand for Model 3 could move around over the coming quarters especially with a new range of low to mid-market models hitting in 2019, we firmly believe Tesla is the linchpin around driving the transformational move to the EV shift happening among consumers worldwide. Tesla production yields improving and moving to more vertical-like production over the coming years with more cost efficiencies from its Fremont and Gigafactories (with China a key X-factor) will be crucial to the company's success going forward. While there will be speed bumps along the way, we believe getting worldwide production annually to between 750k and 1 mm units by 2020 is an achievable target that will further bolster the Tesla growth thesis for the coming years as this remains a key hurdle to hit over the next 2 years. With Tesla focusing more on vertically integrating battery packs, storage products, and lithium-ion cells we believe the company is poised to see much more production efficiency (and improved GM) out of Gigafactory 1 and Fremont which remains the foundation for Tesla to find a firm profitability and GM ramp on Model 3 production especially with the all-important mid-range and base models hitting the road in 2019.

Summary of Wedbush Tesla Delivery Model Analysis and Thoughts

We have done an in depth analysis around Model 3 deliveries (see Wedbush Tesla Delivery Model *pages 9-10*) and importantly trying to model out the scenario we believe is most likely at this point around the demand trajectory for Telsa's auto units between now and 2030. There are a number of variables around production levels out of Fremont/Gigafactory with Model 3 yields, gauging demand levels/timing of Model Y,/Roadster/Pick-Up, and a host of other factors relating to overall EV sales in the consumer market worldwide that drive our bottoms up analysis. That said, the key to our Tesla auto unit analysis through 2030 is based on Model 3 demand especially with the mid-range ($46k) and base model ($35k) poised to catalyze broader volumes of adoption for the company over the next decade. In the near term we are modeling Tesla to ship 401 million auto deliveries in 2019, up 60%+ year over year with Model 3 units on a demand trajectory to exceed 300 million. We believe the mix of Model 3 vs. other units will peak at 76% and trend towards the mid to high 60% range from 2021 through 2030. Beginning in 2020 we are forecasting shipments of the Model Y to start to taking hold and ramp aggressively over the next few years along with sales of Roadster and potentially the Pick Up vehicle. With revenue per unit currently trending toward $70k, we believe the volumes driven by lower priced mid-range and base model will drive this figure downward to $55k by 2025 and eventually level out in the ~$50k range between 2025 and 2030 based on our Tesla Delivery Model. In a nutshell, this Tesla Model 3 production analysis we have built is the linchpin to our broader bull thesis and valuation on the company as we look out in the potential of this disruptive consumer technology play over the next decade. While this will a bumpy road and never a smooth straight line with Musk & Co. at the helm, we believe Tesla has a golden opportunity to ramp Model 3 unit sales in 2019 and beyond and thus translate into massive FCF and profitability as we look out into 2022-2030 based on this detailed auto unit analysis.

Valuation Thoughts

The major bull/bear debate on Tesla centers around the valuation and how to analyze an auto/ technology company with so many production/GM variables around its EV leadership position with Model 3 front and center, unmatched brand awareness and technology around battery efficiency, and a technology roadmap that in our opinion is unparalleled over the next decade. With clean technology, luxury automakers, and other auto technology/industrial players as valuation barometers on the trifecta valuation metrics of: PE, Price/Sales, and EV/EBITDA the a valuation range of $340 to $360 for Tesla is fair even with a premium multiple to the group with a EV/ Rev of 2.0x and EV/EBITDA of 13x off FY20 numbers. However, as we view Tesla as a disruptive technology vendor along the likes of Apple, Google, and Amazon and believe a triangulated, longer term valuation approach for Tesla is more accurate to capture the intrinsic value in this innovative technology roadmap. To this point, looking out a more normalized model with $22 of earnings power by 2025 and our FCF projections of $5 billion by 2025 we believe a valuation of $440 per share is fair for Tesla. At $440 Telsa would trade at a PE of 20x our 2025 EPS estimate and trade at 17x our long-term FCF target of $5 billion, while representing an EV/Rev of 1.2x and EV/EBITDA of 9x.

Wedbush Tesla Delivery Model

(in thousands, except for Units & Rev. Per Unit)

	2018E					2019E					2020E				
	1Q18A	2Q18A	3Q18A	4Q18E	FY18E	1Q19E	2Q19E	3Q19E	4Q19E	FY19E	1Q20E	2Q20E	3Q20E	4Q20E	FY20E
Unit Delivery															
Model S & X	21,815	22,319	27,710	27,288	99,132	21,597	22,096	27,433	27,015	98,141	21,273	21,654	27,159	26,124	96,209
Model 3	8,182	18,449	56,065	63,376	146,072	66,274	75,641	80,734	80,488	303,136	79,529	92,509	97,768	100,489	370,295
Model Y, Roadster G. II, Pick-up, Semi				-		-	-	-	-			12,000	15,000	18,000	45,000
Total Units	**29,997**	**40,768**	**83,775**	**90,664**	**245,204**	**87,871**	**97,737**	**108,167**	**107,503**	**401,277**	**100,802**	**126,163**	**139,927**	**144,613**	**511,504**
Year-over-year Growth															
Model S & X	-12.9%	1.3%	6.9%	**-4.0%**	**-2.3%**	**-1.0%**	**-1.0%**	**-1.0%**	**-1.0%**	**-1.0%**	**-1.5%**	**-2.0%**	**-1.0%**	**-3.3%**	**-2.0%**
Model 3			25154.5%	**4010.0%**	**8180.7%**	**710.0%**	**310.0%**	**44.0%**	**27.0%**	**107.5%**	**20.0%**	**22.3%**	**21.1%**	**24.9%**	**22.2%**
Model Y, Roadster G. II, Pick-up, & Semi												**NA**	**NA**	**NA**	**NA**
Total Units	**19.7%**	**85.1%**	**220.5%**	**202.5%**	**137.6%**	**192.9%**	**139.7%**	**29.1%**	**18.6%**	**63.7%**	**14.7%**	**29.1%**	**29.4%**	**34.5%**	**27.5%**
Unit Delivery Mix															
Model S & X	73%	55%	33%	30%	40%	25%	23%	25%	25%	24%	21%	17%	19%	18%	19%
Model 3	27%	45%	67%	70%	60%	75%	77%	75%	75%	76%	79%	73%	70%	69%	72%
Model Y, Roadster G. II, Pick-up, Semi												10%	11%	12%	9%
Total Delivery	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**
Reveue Per Unit	**$ 85,405**	**$ 76,478**	**$ 70,168**	**$ 68,976**	**$ 72,640**	**$ 71,996**	**$ 65,618**	**$ 59,783**	**$ 58,147**	**$ 63,440**	**$ 67,244**	**$ 61,353**	**$ 55,538**	**$ 54,019**	**$ 58,850**
	5.1%	-16.4%	-11.7%	**-14.2%**	**-12.2%**	**-15.7%**	**-14.2%**	**-14.8%**	**-15.7%**	**-12.7%**	**-6.6%**	**-6.5%**	**-7.1%**	**-7.1%**	**-7.2%**
Revenue - Auto. Delivery	**$ 2,561,881**	**$ 3,117,865**	**$ 5,878,305**	**$ 6,253,689**	**$ 17,811,740**	**$ 6,326,369**	**$ 6,413,320**	**$ 6,466,511**	**$ 6,250,981**	**$ 25,457,182**	**$ 6,778,357**	**$ 7,740,479**	**$ 7,771,313**	**$ 7,811,778**	**$ 30,101,927**

Sources: Company Reports and Wedbush Securities, Inc. estimates

Daniel Ives
(212) 344 - 2073
Dan.Ives@wedbush.com

Wedbush Tesla Delivery Model

(in thousands, except for Units & Rev. Per Unit)

	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
	Total	Total	Total	Total	Total	Total	Total	Total	Total	Total
Unit Delivery										
Model S & X	98,133	99,114	100,106	98,104	95,160	91,354	87,700	84,192	80,824	77,591
Model 3	446,946	536,336	616,786	703,136	787,512	866,264	952,890	1,048,179	1,152,997	1,233,707
Model Y, Roadster G. II, Pick-up, Semi	145,350	203,490	248,258	292,944	333,956	367,352	404,087	444,496	488,946	528,061
Total Units	**690,430**	**838,940**	**965,149**	**1,094,184**	**1,216,629**	**1,324,970**	**1,444,677**	**1,576,867**	**1,722,767**	**1,839,359**
Year-over-year Growth										
Model S & X	**2%**	**1%**	**1%**	**-2%**	**-3%**	**-4%**	**-4%**	**-4%**	**-4%**	**-4%**
Model 3	**21%**	**20%**	**15%**	**14%**	**12%**	**10%**	**10%**	**10%**	**10%**	**7%**
Model Y, Roadster G. II, Pick-up, & Semi	**223%**	**40%**	**22%**	**18%**	**14%**	**10%**	**10%**	**10%**	**10%**	**8%**
Total Units	**35.0%**	**21.5%**	**15.0%**	**13.4%**	**11.2%**	**8.9%**	**9.0%**	**9.2%**	**9.3%**	**6.8%**
Unit Delivery Mix										
Model S & X	14%	12%	10%	9%	8%	7%	6%	5%	5%	4%
Model 3	65%	64%	64%	64%	65%	65%	66%	66%	67%	67%
Model Y, Roadster G. II, Pick-up, Semi	21%	24%	26%	27%	27%	28%	28%	28%	28%	29%
Total Delivery	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**
Reveue Per Unit	**$ 56,496**	**$ 57,061**	**$ 56,490**	**$ 55,643**	**$ 54,530**	**$ 53,439**	**$ 52,371**	**$ 51,323**	**$ 50,297**	**$ 49,291**
	-4%	**1%**	**-1%**	**-2%**	**-2%**	**-2%**	**-2%**	**-2%**	**-2%**	**-2%**
Revenue - Auto. Delivery	**$ 39,006,381**	**$ 47,870,576**	**$ 54,521,454**	**$ 60,883,466**	**$ 66,342,739**	**$ 70,805,529**	**$ 75,658,564**	**$ 80,929,787**	**$ 86,649,471**	**$ 90,663,412**

Sources: Company Reports and Wedbush Securities, Inc. estimates

Daniel Ives
(212) 344 - 2073
Dan.Ives@wedbush.com

Tesla, Inc. (TSLA)

Income Statement

($ in millions, except per share)

	2017A					2018E					2019E					2020E
	1Q17A Mar-17	2Q17A Jun-17	3Q17A Sep-17	4Q17A Dec-17	FY17A Total	1Q18A Mar-18	2Q18A Jun-18	3Q18A Sep-18	4Q18E Dec-18	FY18E Total	1Q19E Mar-19	2Q19E Jun-19	3Q19E Sep-19	4Q19E Dec-19	FY19E Total	FY20E Total
Revenue																
Automotive	2,289.6	2,286.6	2,362.9	2,702.2	9,641.3	2,735.3	3,357.7	6,098.8	6,482.3	18,674.1	6,621.2	6,761.1	6,896.4	6,685.3	26,964.0	32,007.5
Energy & Storage	213.9	286.8	317.5	298.0	1,116.3	410.0	374.4	399.3	360.6	1,544.4	438.7	441.8	455.2	414.7	1,750.5	2,602.8
Services & Other	192.7	216.2	304.3	288.0	1,001.2	263.4	270.1	326.3	345.6	1,205.5	321.4	329.6	381.8	397.5	1,430.2	1,425.2
Total Revenue	**2,696.3**	**2,789.6**	**2,984.7**	**3,288.2**	**11,758.8**	**3,408.8**	**4,002.2**	**6,824.4**	**7,188.5**	**21,423.9**	**7,381.3**	**7,532.4**	**7,733.4**	**7,497.5**	**30,144.7**	**36,035.4**
Year-over-Year Growth	*135%*	*120%*	*30%*	*44%*	*68%*	*26%*	*43%*	*129%*	*119%*	*82%*	*117%*	*88%*	*13%*	*4%*	*41%*	*20%*
Qtr-over-Qtr Growth	*18%*	*3%*	*7%*	*10%*	*NM*	*4%*	*17%*	*71%*	*5%*	*NM*	*3%*	*2%*	*3%*	*-3%*	*NM*	*NM*
Total Cost of Revenue	2,018.3	2,115.5	2,525.4	2,833.3	9,492.4	2,934.1	3,367.2	5,275.7	5,664.6	17,241.6	5,823.8	5,920.5	6,032.1	5,840.6	23,617.0	27,918.1
Gross Profit	**678.0**	**674.1**	**459.3**	**455.0**	**2,266.3**	**474.6**	**635.0**	**1,548.7**	**1,524.0**	**4,182.3**	**1,557.5**	**1,611.9**	**1,701.4**	**1,657.0**	**6,527.7**	**8,117.4**
Operating Expenses																
Research & Development	272.8	312.0	280.6	295.1	1,160.5	306.0	320.2	285.1	330.7	1,242.0	501.9	512.2	525.9	524.8	2,064.8	2,329.1
Selling, General, & Administrative	559.0	487.0	601.6	623.7	2,271.2	624.0	738.9	642.1	661.3	2,666.3	716.0	760.8	765.6	734.8	2,977.1	3,628.7
Total Operating Expenses	831.8	799.0	882.1	918.8	3,431.7	929.9	1,059.1	927.2	992.0	3,908.2	1,217.9	1,273.0	1,291.5	1,259.6	5,042.0	5,957.8
Operating Income	**(153.8)**	**(124.9)**	**(422.8)**	**(463.8)**	**(1,165.3)**	**(455.3)**	**(424.0)**	**621.5**	**532.0**	**274.1**	**339.5**	**339.0**	**409.9**	**397.4**	**1,485.7**	**2,159.6**
Stock-based compensation	(103.7)	(116.0)	(112.7)	(134.3)	(466.8)	(141.6)	(197.3)	(204.7)	(210.0)	(753.7)	(150.0)	(115.0)	(206.0)	(220.0)	(691.0)	(470.0)
Interest and other income	(114.4)	(144.9)	(136.0)	(181.8)	(576.9)	(182.0)	(107.6)	(145.4)	(220.0)	(655.1)	(160.0)	(175.0)	(165.0)	(180.0)	(680.0)	(560.0)
Income Before Taxes	**(371.9)**	**(385.8)**	**(671.4)**	**(779.9)**	**(2,209.0)**	**(779.0)**	**(729.0)**	**271.3**	**102.0**	**(1,134.7)**	**29.5**	**49.0**	**38.9**	**(2.6)**	**114.7**	**1,129.6**
Income Taxes	25.3	15.6	(0.3)	(9.1)	31.5	5.6	13.7	16.6	12.2	48.2	3.5	5.9	4.7	(0.3)	13.8	158.1
Net Income	(330.3)	(336.4)	(619.4)	(675.4)	(2,240.6)	(709.6)	(717.5)	311.5	89.7	(1,182.9)	26.0	43.1	34.2	(2.3)	101.0	971.4
Net Income - Pro-forma*	**(215.0)**	**(220.4)**	**(488.5)**	**(513.1)**	**(1,436.9)**	**(567.9)**	**(520.2)**	**516.2**	**354.7**	**(217.1)**	**226.0**	**223.1**	**290.2**	**267.7**	**1,007.0**	**1,685.4**
EPS	(2.04)	(2.04)	(3.70)	(4.01)	(13.52)	(4.19)	(4.22)	1.75	0.50	(6.79)	0.14	0.24	0.18	(0.01)	0.55	5.07
EPS - Pro-forma*	**(1.33)**	**(1.33)**	**(2.92)**	**(3.05)**	**(8.67)**	**(3.36)**	**(3.06)**	**2.90**	**1.98**	**(1.25)**	**1.25**	**1.22**	**1.57**	**1.43**	**5.47**	**8.80**
Shares Outstanding - Diluted	162.1	165.2	167.3	168.3	165.7	169.1	170.0	178.2	179.5	174.2	181.0	183.0	185.0	187.0	184.0	191.5

** Does not include amortization of goodwill and intangibles, stock-based compensation and restructuring costs.*

	1Q17A	2Q17A	3Q17A	4Q17A	FY17A	1Q18A	2Q18A	3Q18A	4Q18E	FY18E	1Q19E	2Q19E	3Q19E	4Q19E	FY19E	FY20E
Margins																
Gross Margin	25.1%	24.2%	15.4%	13.8%	19.3%	13.9%	15.9%	22.7%	21.2%	19.5%	21.1%	21.4%	22.0%	22.1%	21.7%	22.5%
Operating Margin	-5.7%	-4.5%	-14.2%	-14.1%	-9.9%	-13.4%	-10.6%	9.1%	7.4%	1.3%	4.6%	4.5%	5.3%	5.3%	4.9%	6.0%
Net Margin - Pro forma	-8.0%	-7.9%	-16.4%	-15.6%	-12.2%	-16.7%	-13.0%	7.6%	4.9%	-1.0%	3.1%	3.0%	3.8%	3.6%	3.3%	4.7%
Percent of Revenues																
Automotive	84.9%	82.0%	79.2%	82.2%	82.0%	80.2%	83.9%	89.4%	90.2%	87.2%	89.7%	89.8%	89.2%	89.2%	89.4%	88.8%
Energy & Storage	7.9%	10.3%	10.6%	9.1%	9.5%	12.0%	9.4%	5.9%	5.0%	7.2%	5.9%	5.9%	5.9%	5.5%	5.8%	7.2%
Services & Other	7.1%	7.7%	10.2%	8.8%	8.5%	7.7%	6.7%	4.8%	4.8%	5.6%	4.4%	4.4%	4.9%	5.3%	4.7%	4.0%
Research & Development	10.1%	11.2%	9.4%	9.0%	9.9%	9.0%	8.0%	4.2%	4.6%	5.8%	6.8%	6.8%	6.8%	7.0%	6.8%	6.5%
Selling, General, & Administrative	20.7%	17.5%	20.2%	19.0%	19.3%	18.3%	18.5%	9.4%	9.2%	12.4%	9.7%	10.1%	9.9%	9.8%	9.9%	10.1%
Year-over-Year Growth																
Automotive	123.1%	93.5%	10.0%	35.5%	51.8%	19.5%	46.8%	158.1%	139.9%	93.7%	142.1%	101.4%	13.1%	3.1%	44.4%	18.7%
Energy & Storage	841.3%	7165.8%	1260.7%	126.8%	515.4%	91.6%	30.6%	25.8%	21.0%	38.4%	7.0%	18.0%	14.0%	15.0%	13.3%	48.7%
Services & Other	96.1%	156.7%	140.8%	81.0%	113.9%	36.7%	25.0%	7.2%	20.0%	20.4%	22.0%	22.0%	17.0%	15.0%	18.6%	-0.4%
Total Revenue	135.1%	119.6%	29.9%	43.9%	68.0%	26.4%	43.5%	128.6%	118.6%	82.2%	116.5%	88.2%	13.3%	4.3%	40.7%	19.5%
Operating Income	-3.0%	-26.9%	-341.4%	184.2%	267.3%	196.0%	239.6%	-247.0%	-214.7%	-123.5%	-174.6%	-179.9%	-34.0%	-25.3%	442.1%	45.4%
EPS - pro forma *	133.8%	26.1%	-511.3%	343.5%	476.2%	153.2%	129.4%	-199.2%	-164.8%	-85.6%	-137.2%	-139.8%	-45.9%	-27.6%	-539.1%	60.8%
Sequential Growth																
Automotive	14.8%	-0.1%	3.3%	18.0%	NM	1.2%	22.8%	81.6%	6.3%	NM	2.1%	2.1%	2.0%	-3.1%	NM	NM
Energy & Storage	62.8%	34.0%	10.7%	-6.1%	NM	37.6%	-8.7%	6.7%	-9.7%	NM	21.7%	0.7%	3.0%	-8.9%	NM	NM
Services & Other	21.1%	12.2%	40.8%	-5.3%	NM	-8.5%	2.6%	20.8%	5.9%	NM	-7.0%	2.6%	15.8%	4.1%	NM	NM
Total Revenue	18.0%	3.5%	7.0%	22.0%	NM	3.7%	17.4%	70.5%	5.3%	NM	2.7%	2.0%	2.7%	-3.1%	NM	NM
Operating Income	-5.7%	-18.8%	238.6%	201.5%	NM	-1.8%	-6.9%	-246.6%	-14.4%	NM	-36.2%	-0.2%	20.9%	-3.1%	NM	NM
EPS - pro forma *	92.9%	0.6%	118.9%	129.9%	NM	10.1%	-8.9%	-194.7%	-31.8%	NM	-36.8%	-2.4%	28.7%	-8.7%	NM	NM

Sources: Company Reports and Wedbush Securities, Inc. estimates

Daniel Ives
(212) 344 - 2073
Dan.Ives@wedbush.com

Tesla, Inc. (TSLA)
Balance Sheet ($ in millions)

	FY17	FY18		
	Dec-17	Mar-18	Jun-18	Sep-18
ASSETS				
Cash And Equivalents	3,367.9	2,665.7	2,236.4	2,967.5
Restricted Cash	155.3	120.2	146.8	158.6
Accounts Receivable	515.4	652.8	569.9	1,155.0
Inventory	2,263.5	2,565.8	3,324.6	3,314.1
Other Current Assets	268.4	379.4	422.0	325.2
Total Current Assets	**6,570.5**	**6,383.9**	**6,699.8**	**7,920.49**
Operating Lease Vehicles	4,116.6	2,315.1	2,282.0	2,186.1
Solar Energy Systems	6,347.5	6,346.4	6,340.0	6,301.5
Property and Equipment	10,027.5	10,519.2	10,969.3	11,246.3
Goodwill and Intangible Assets	421.7	407.7	364.7	356.7
MyPower Customer Notes	456.7	449.8	434.8	422.9
Restricted Cash	441.7	433.8	400.0	396.8
Other Assets	273.1	415.5	419.3	431.8
Total Assets	**28,655.4**	**27,271.4**	**27,910.0**	**29,262.7**
LIABILITIES				
Accounts Payable	2,390.3	2,603.5	3,030.5	3,597.0
Accrued Liabilities	1,731.4	1,898.4	1,815.0	1,990.1
Deferred Revenue	1,015.3	536.5	576.3	570.9
Resale Value Guarantees	787.3	629.1	674.3	604.9
Customer Deposits	853.9	984.8	942.1	905.8
Current Portion of LT Debt	896.5	1,998.0	2,103.2	2,106.5
Total Current Liabilities	**7,674.7**	**8,650.4**	**9,141.4**	**9,775.3**
Long-Term Debt	9,418.3	8,763.7	9,513.4	9,672.6
Deferred Revenue	1,177.8	818.3	795.8	950.1
Resale Value Guarantees	2,309.2	756.8	584.9	455.8
Other Liabilities	2,443.0	2,561.9	2,607.5	2,555.3
Total Liabilities	**23,023.0**	**21,551.0**	**22,642.9**	**23,409.1**
Total Shareholder Equity	**5,632.4**	**5,720.4**	**5,267.1**	**5,853.6**
Total Liabilities And Shareholders Equity	**28,655.4**	**27,271.4**	**27,910.0**	**29,262.7**

Sources: Company Reports and Wedbush Securities, Inc. estimates

Valuation
With $22 of earnings power by 2025 and our FCF projections of $5 billion by 2025 we believe a valuation of $440 is fair. At $440 Telsa would trade at EV/Rev of 1.2x and EV/EBITDA of 9x.

Risks to the Attainment of Our Price Target and Rating:
-Potential capital raise to increase liquidity represents a potential overhang for Tesla.
-Meeting production targets on Model 3 will be key as any major bottleneck out of Fremont with have significant negative ramifications for both growth and GM.
-The ongoing shareholder lawsuits and DOJ investigation represents a risk for investors given some of these wild cards.
-Tesla's ability to penetrate China as a market opportunity is key to its long-term growth and any regulatory and/or production issues out of Gigafactory 3 would be a clear negative growth catalyst for the name.

Analyst Certification
We, Daniel Ives and Strecker Backe, certify that the views expressed in this report accurately reflect our personal opinions and that we have not and will not, directly or indirectly, receive compensation or other payments in connection with our specific recommendations or views contained in this report.

Mentioned Companies

Company	Rating	Price	Target
Apple	OUTPERFORM	$169.10	$275.00
Amazon.com	OUTPERFORM	$1,663.54	$2,100.00
Alphabet	OUTPERFORM	$1,073.73	$1,350.00

Investment Rating System:
OUTPERFORM: Expect the total return of the stock to outperform relative to the median total return of the analyst's (or the analyst's team) coverage universe over the next 6-12 months.

NEUTRAL: Expect the total return of the stock to perform in-line with the median total return of the analyst's (or the analyst's team) coverage universe over the next 6-12 months.

UNDERPERFORM: Expect the total return of the stock to underperform relative to the median total return of the analyst's (or the analyst's team) coverage universe of the next 6-12 months.

The Investment Ratings are based on the expected performance of a stock (based on anticipated total return to price target) relative to the other stocks in the analyst's coverage universe (or the analyst's team coverage).*

Rating distribution (as of December 13, 2018)	**Investment Banking Relationships (as of December 13, 2018)**
OUTPERFORM: 60.29% NEUTRAL: 38.53% UNDERPERFORM: 1.18%	OUTPERFORM: 11.71% NEUTRAL: 1.53% UNDERPERFORM: 0.00%

The Distribution of Ratings is required by FINRA rules; however, WS' stock ratings of Outperform, Neutral, and Underperform most closely conform to Buy, Hold, and Sell, respectively. Please note, however, the definitions are not the same as WS' stock ratings are on a relative basis.

The analysts responsible for preparing research reports do not receive compensation based on specific investment banking activity. The analysts receive compensation that is based upon various factors including WS' total revenues, a portion of which are generated by WS' investment banking activities.

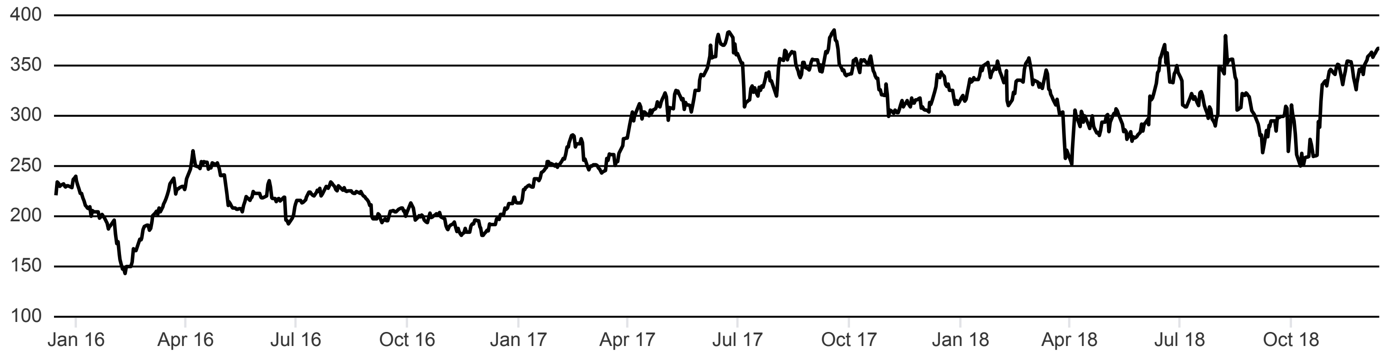
Company Specific Disclosures
1. WS makes a market in the securities of Apple, Amazon.com and Alphabet.

Price Charts

WEDBUSH

Tesla Rating History as of 12-12-2018

powered by: BlueMatrix

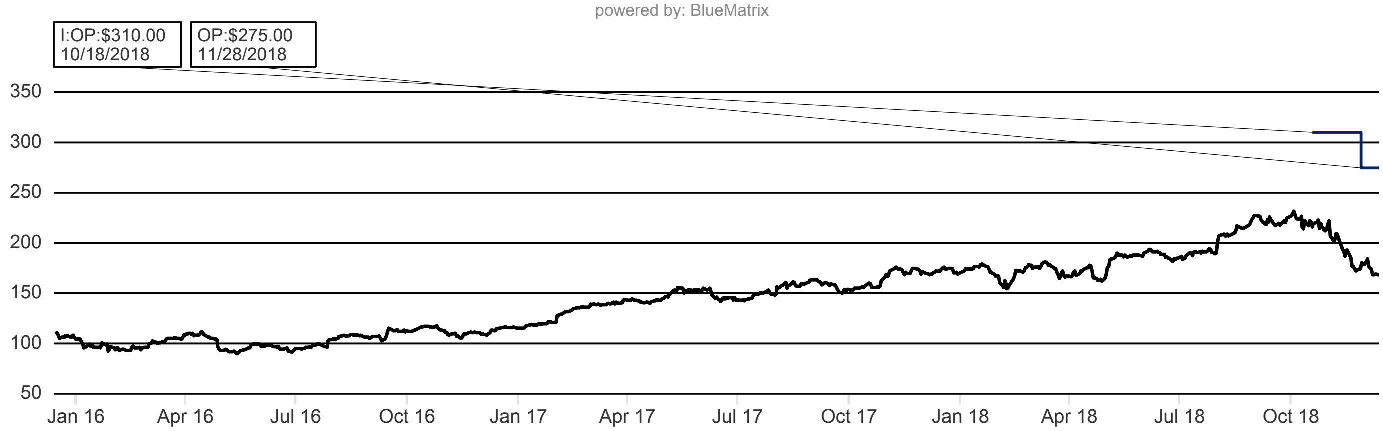


Closing Price Price Target

Outperform (OP); Neutral (N); Underperform (UP); Not Rated (NR)

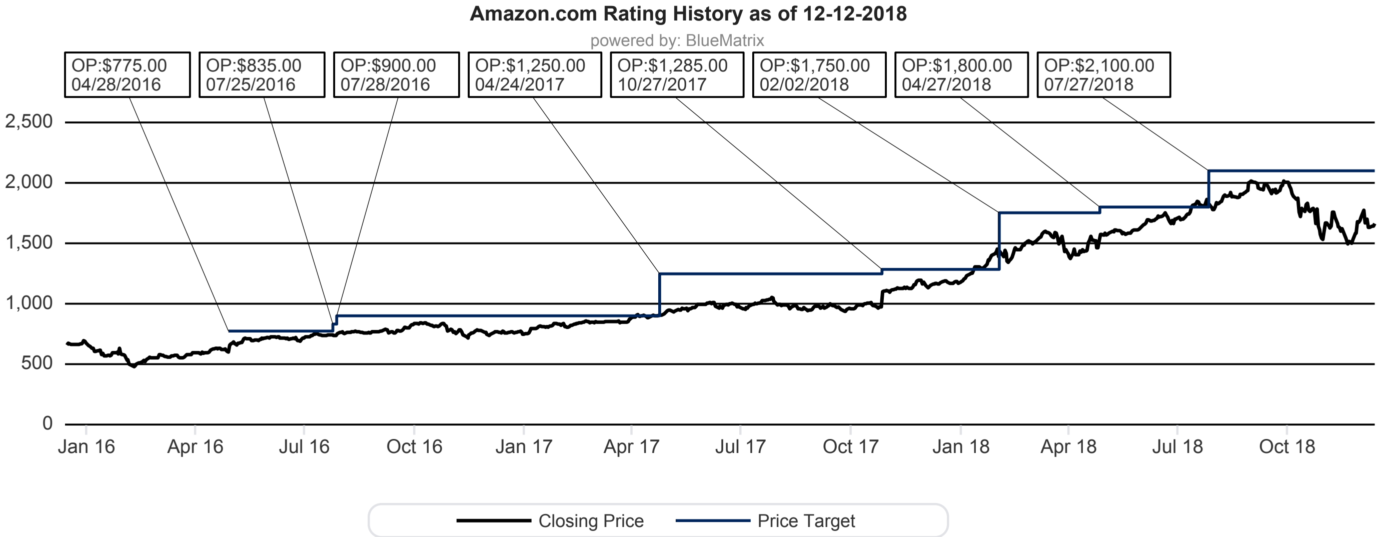
Apple Rating History as of 12-12-2018

powered by: BlueMatrix

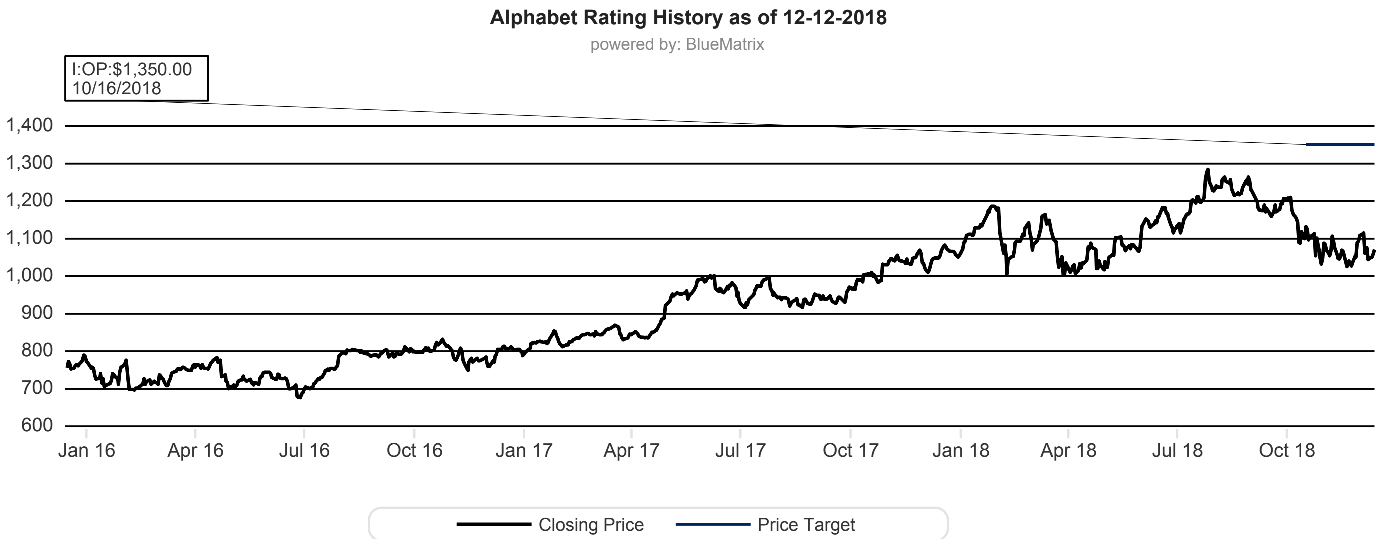


Closing Price Price Target

Outperform (OP); Neutral (N); Underperform (UP); Not Rated (NR)



Outperform (OP); Neutral (N); Underperform (UP); Not Rated (NR)



Outperform (OP); Neutral (N); Underperform (UP); Not Rated (NR)

Wedbush disclosure price charts are updated within the first fifteen days of each new calendar quarter per FINRA regulations. Price charts for companies intiated upon in the current quarter, and rating and target price changes occurring in the current quarter, will not be displayed until the following quarter. Additional information on recommended securities is available on request.

Disclosure information regarding historical ratings and price targets is available: http://www.wedbush.com/ResearchDisclosure/DisclosureQ118.pdf

*WS changed its rating system from (Strong Buy/ Buy/ Hold/ Sell) to (Outperform/ Neutral/ Underperform) on July 14, 2009.

Please access the attached hyperlink for WS' Coverage Universe: http://www.wedbush.com/services/cmg/equities-division/research/equity-research

Applicable disclosure information is also available upon request by contacting Leslie Lippai in the Research Department at (212) 833-1375, by email to leslie.lippai@wedbush.com, or the Business Conduct Department (213) 688-8090. You may also submit a written request to the following: Business Conduct Department, 1000 Wilshire Blvd., Los Angeles, CA 90017.

OTHER DISCLOSURES

The information herein is based on sources that we consider reliable, but its accuracy is not guaranteed. The information contaned herein is not a representation by this corporation, nor is any recommendation made herein based on any privileged information. This information is not intended to be nor should it be relied upon as a complete record or analysis: neither is it an offer nor a solicitation of an offer to sell or buy any security mentioned herein. This firm, Wedbush Securities, its officers, employees, and members of their families, or any one or more of them, and its discretionary and advisory accounts, may have a position in any security discussed herein or in related securities and may make, from time to time, purchases or sales thereof in the open market or otherwise. The information and expressions of opinion contained herein are subject to change without further notice. The herein mentioned securities may be sold to or bought from customers on a principal basis by this firm. Additional information with respect to the information contained herein may be obtained upon request.

Wedbush Securities does and seeks to do business with companies covered in its research reports. Thus, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decision. Please see pages 3–7 of this report for analyst certification and important disclosure information.

WEDBUSH

Equity Research

CONSUMER AND RETAIL

Consumer Data Analytics		
Jen Redding	(212) 344-2386	jen.redding@wedbush.com
Footwear & Apparel		
Christopher Svezia	(212) 938-9922	christopher.svezia@wedbush.com
Hardlines Retail		
Seth Basham	(212) 938-9954	seth.basham@wedbush.com
Homebuilders/Building Products		
Jay McCanless	(212) 833-1381	jay.mccanless@wedbush.com
Leisure		
James Hardiman	(212) 833-1362	james.hardiman@wedbush.com
Restaurants		
Nick Setyan	(213) 688-4519	nick.setyan@wedbush.com

FINANCIAL INSTITUTIONS GROUP

Mid-Cap Banks		
David Chiaverini	(212) 938-9934	david.chiaverini@wedbush.com
Regional Banks		
Peter Winter	(212) 938-9941	peter.winter@wedbush.com
Specialty Finance		
Henry Coffey	(212) 833-1382	henry.coffey@wedbush.com

HEALTHCARE

Biotechnology		
David Nierengarten,	(415) 274-6862	david.nierengarten@wedbush.com
Biotechnology		
Robert Driscoll	(415) 274-6863	robert.driscoll@wedbush.com
Emerging Pharmaceuticals		
Liana Moussatos, Ph.	(415) 263-6626	liana.moussatos@wedbush.com

TMT

Enterprise Software		
Dan Ives	(212) 344-2073	dan.ives@wedbush.com
Enterprise Software		
Steve Koenig	(415) 274-6801	steve.koenig@wedbush.com
Digital Media		
Michael Pachter	(213) 688-4474	michael.pachter@wedbush.com
Digital Media		
Nick McKay	(213) 688-4343	nick.mckay@wedbush.com
Payments/IT Services		
Moshe Katri	(212) 938-9947	moshe.katri@wedbush.com
SMID Internet		
Ygal Arounian	(212) 938-9929	ygal.arounian@wedbush.com

RESEARCH MANAGEMENT

Jesse Bigelow
Director of Research
jesse.bigelow@wedbush.com
(212) 259-6581

Strecker Backe
Associate, Equity Research
strecker.backe@wedbush.com
(212) 833-1367

HEAD OF EQUITIES

Kirsten Fraunces
kirsten.fraunces@wedbush.com
(213) 688-4404

CORPORATE ACCESS

Anita Minassian
VP, Corporate Access
wedbush.conferences@wedbush.com
(213) 688-4419

Phylicia Kirven
VP, Corporate Access
equitycorporateaccess@wedbush.com
(213) 688-4455

TRADING

Consumer/Industrials		
Tyler Pasley	(213) 688-4466	tyler.pasley@wedbush.com
Financials/Healthcare		
Sahak Manuelian	(213) 688-4533	sahak.manuelian@wedbush.com
TMT		
Joel Kulina	(212) 938-2056	joel.kulina@wedbush.com

WEDBUSH OFFICES

LOS ANGELES
1000 Wilshire Boulevard
Los Angeles, CA 90017
(213) 688-8000

NEW YORK
142 W 57th Street
New York, NY 10019
(212) 938-9920

SAN FRANCISCO
2 Embarcadero Center, Suite 600
San Francisco, CA 94111
(415) 273-7300

BOSTON
265 Franklin Street
Boston, MA 02110
(617) 832-3700

CHICAGO
141 W. Jackson Boulevard, Suite 1710A
Chicago, IL 60604
(312) 786-1930

www.wedbush.com

Subject: FW: Earnings call messaging
Date: Wednesday, January 30, 2019 at 1:49:27 PM Pacific Standard Time
From: Dave Arnold
To: Melissa Rocha

- Last year was the most challenging year in Tesla's history – and also the most successful. Thanks to the incredible hard work of the Tesla team, Model 3 became the best-selling premium vehicle in the US for 2018. This is the first time an American carmaker has done that in decades. Last year, we delivered almost as many vehicles as we did in all prior years combined, which is also a tremendous achievement.

- With Q4, we've achieved GAAP profitability for the second consecutive quarter for the first time in company history. Not only that, but we increased our cash on hand by more than $700 million, even after repaying debt, and ended the year with a total of $3.7 billion in cash.

- We have sufficient cash on hand to comfortably settle our convertible bond that will mature in March. In addition, our operating margin remained strong at 5.7%. Operating margins in the fourth quarter are generally lower in the automotive industry – this was not the case for Tesla.

- 2019 is going to be another exciting year for Tesla. We expect to deliver 360,000 to 400,000 vehicles, which is approximately 45% to 65% more vehicles than last year. That is crazy growth in the automotive industry.

- I also want to note that one of our major priorities for this quarter is to continue improving service operations. Last quarter, we opened 27 new store and service locations, bringing our total to 378 locations worldwide, and we increased our Mobile Service fleet to 411 vehicles. We're moving our service centers to two-shift operations in order to double service capacity quickly, and we're also increasing the functionality of the Tesla App and growing our parts distribution capabilities.

- There are a number of other developments that I'm really excited about: This year we will start tooling for Model Y to achieve volume production by the end of 2020, most likely at Gigafactory 1. Since Model Y will be built on the Model 3 platform and is being designed to have about 75% in common components with Model 3, the cost of the Model Y production line should be materially lower than the Model 3 line in Fremont, and the production ramp should also be faster.

- Earlier this month, we started construction of Gigafactory Shanghai, and by the end of this year, we are expecting to start producing Model 3s using a complete vehicle production line. Inclusive of Gigafactory Shanghai, where we are initially aiming for 3,000 Model 3 vehicles per week, our goal is to be able to produce 10,00 vehicles per week on a sustained basis.

- Finally, barring unexpected challenges with Gigafactory Shanghai, we are targeting total annualized Model 3 output in excess of 500,000 units sometime between Q4 of 2019 and Q2 of 2020.

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark One)

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2017

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from ___________ to ___________

Commission File Number: 001-34756

Tesla, Inc.

(Exact name of registrant as specified in its charter)

Delaware **(State or other jurisdiction of incorporation or organization)**	**91-2197729** **(I.R.S. Employer Identification No.)**
3500 Deer Creek Road **Palo Alto, California** **(Address of principal executive offices)**	**94304** **(Zip Code)**

(650) 681-5000

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, $0.001 par value	The NASDAQ Stock Market LLC

Securities registered pursuant to Section 12(g) of the Act:

None

Indicate by check mark whether the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 ("Exchange Act") during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act:

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐ (Do not check if a smaller reporting company)	Smaller reporting company	☐
Emerging growth company	☐		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

The aggregate market value of voting stock held by non-affiliates of the registrant, as of June 30, 2017, the last day of the registrant's most recently completed second fiscal quarter, was $47.83 billion (based on the closing price for shares of the registrant's Common Stock as reported by the NASDAQ Global Select Market on June 30, 2017). Shares of Common Stock held by each executive officer, director, and holder of 5% or more of the outstanding Common Stock have been excluded in that such persons may be deemed to be affiliates. This determination of affiliate status is not necessarily a conclusive determination for other purposes.

As of February 14, 2018, there were 168,919,941 shares of the registrant's Common Stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's Proxy Statement for the 2018 Annual Meeting of Stockholders are incorporated herein by reference in Part III of this Annual Report on Form 10-K to the extent stated herein. Such proxy statement will be filed with the Securities and Exchange Commission within 120 days of the registrant's fiscal year ended December 31, 2017.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis should be read in conjunction with the consolidated financial statements and the related notes included elsewhere in this Annual Report on Form 10-K.

Overview and 2017 Highlights

Our mission is to accelerate the world's transition to sustainable energy. We design, develop, manufacture, lease and sell high-performance fully electric vehicles, solar energy generation systems and energy storage products. We also offer maintenance, installation, operation and other services related to our products.

Automotive

Our production vehicle fleet includes our Model S premium sedan and our Model X sport utility vehicle, which are our highest-performance vehicles, and our Model 3, a lower priced sedan designed for the mass market which we began to produce and deliver in the second half of 2017. We continue to enhance our vehicle offerings with enhanced autopilot options, Internet connectivity and free over-the-air software updates to provide additional safety, convenience and performance features. In addition, we have several future electric vehicles in our product pipeline, including those we unveiled in 2017 – an electric semi-truck and a new version of the Tesla Roadster.

In 2017, our vehicle production capability continued to scale and gain operational efficiencies, and vehicle production volume increased by 20% year-over-year. Additionally, we delivered 101,420 Model S and Model X vehicles and 1,764 Model 3 vehicles in 2017.

Energy Generation and Storage

We lease and sell solar energy systems and sell renewable energy and energy storage products to our customers. We have partnered with Panasonic to provide capital and operational support to manufacture PV cells, thus enabling high volume integrated tile and PV cell production at our Gigafactory 2 in Buffalo, New York. We also recently commenced Solar Roof production at Gigafactory 2. Our energy storage products, which we manufacture at Gigafactory 1, consist of Powerwall mostly for residential applications and Powerpack for commercial, industrial and utility-scale applications.

In late 2017, we completed installation of the largest battery in the world in South Australia. This battery delivers electricity during peak hours to help maintain the reliable operation of South Australia's electrical infrastructure.

In 2017, we deployed 358 MWh of energy storage products and 523 MW of solar energy generation.

Management Opportunities, Challenges and Risks and 2018 Outlook

Automotive Demand, Production and Deliveries

We drive demand for our vehicles by continually improving our vehicles through over-the-air software updates, expanding our retail, service and charging infrastructure, and by periodically developing and introducing new passenger and commercial electric vehicle variants and models. Our goal is to become the best manufacturer in the automotive industry, and having cutting edge robotic expertise in-house is at the core of that goal. Our recent acquisitions of advanced automation companies have added to our talent base and are helping us increase vehicle production rates more effectively.

The worldwide automotive market for alternative fuel vehicles and self-driving technology are highly competitive and we expect them to become even more so. Many companies including established automakers have announced plans to expand, and in some cases fully transition to, production of electric or environmentally friendly vehicles, and to also develop self-driving technologies. We welcome the acceleration of the world's transition to sustainable transport. Nonetheless, we believe that the unique features of our vehicles, our constant innovation, our growing brand, the increased affordability introduced with Model 3, our global Supercharger network and our future vehicles, will continue to generate incremental demand for our vehicles by making our vehicles accessible to larger and previously untapped consumer and commercial markets.

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark One)

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2018

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from ___________ to ___________

Commission File Number: 001-34756

Tesla, Inc.

(Exact name of registrant as specified in its charter)

Delaware **(State or other jurisdiction of incorporation or organization)**	**91-2197729** **(I.R.S. Employer Identification No.)**
3500 Deer Creek Road **Palo Alto, California** **(Address of principal executive offices)**	**94304** **(Zip Code)**

(650) 681-5000

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, $0.001 par value	The NASDAQ Stock Market LLC

Securities registered pursuant to Section 12(g) of the Act:

None

Indicate by check mark whether the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 ("Exchange Act") during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act:

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
Emerging growth company	☐		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

The aggregate market value of voting stock held by non-affiliates of the registrant, as of June 30, 2018, the last day of the registrant's most recently completed second fiscal quarter, was $46.57 billion (based on the closing price for shares of the registrant's Common Stock as reported by the NASDAQ Global Select Market on June 30, 2018). Shares of Common Stock held by each executive officer, director, and holder of 5% or more of the outstanding Common Stock have been excluded in that such persons may be deemed to be affiliates. This determination of affiliate status is not necessarily a conclusive determination for other purposes.

As of February 12, 2019, there were 172,721,487 shares of the registrant's Common Stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's Proxy Statement for the 2019 Annual Meeting of Stockholders are incorporated herein by reference in Part III of this Annual Report on Form 10-K to the extent stated herein. Such proxy statement will be filed with the Securities and Exchange Commission within 120 days of the registrant's fiscal year ended December 31, 2018.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis should be read in conjunction with the consolidated financial statements and the related notes included elsewhere in this Annual Report on Form 10-K.

Overview and 2018 Highlights

Our mission is to accelerate the world's transition to sustainable energy. We design, develop, manufacture, lease and sell high-performance fully electric vehicles, solar energy generation systems and energy storage products. We also offer maintenance, installation, operation and other services related to our products.

Automotive

Our production vehicle fleet includes our Model S premium sedan and our Model X SUV, which are our highest-performance vehicles, and our Model 3, a lower-priced sedan designed for the mass market. We continue to enhance our vehicle offerings with enhanced Autopilot options, internet connectivity and free over-the-air software updates to provide additional safety, convenience and performance features. In addition, we have several future electric vehicles in our product pipeline, including Model Y, Tesla Semi, a pickup truck and a new version of the Tesla Roadster.

In 2018, we continued to scale our automotive operations, particularly our ramp of Model 3, and achieved total production of 254,530 vehicles and delivered 245,506 vehicles, representing year-over-year increases of approximately 152% and 138%, respectively.

Energy Generation and Storage

We lease and sell retrofit solar energy systems and sell renewable energy and energy storage products to our customers, and are ramping our Solar Roof product that combines solar energy generation with attractive, integrated styling. Our energy storage products, which we manufacture at Gigafactory 1, consist of Powerwall, mostly for residential applications, and Powerpack, for commercial, industrial and utility-scale applications.

During 2018, we deployed 1.04 GWh of energy storage products, nearly tripling our 358 MWh of energy storage deployments during 2017. We also deployed 326 megawatts ("MW") of solar energy generation during 2018.

Management Opportunities, Challenges and Risks and 2019 Outlook

Automotive Demand, Production and Deliveries

Our goal is to produce the world's highest quality vehicles as quickly and as cost-effectively as possible with a priority on workplace health and safety. The worldwide automotive markets for alternative fuel vehicles and self-driving technology are highly competitive and we expect them to become even more so. A growing number of companies, including established automakers, have announced plans to expand, and in some cases fully transition to, production of electric or environmentally friendly vehicles, and/or to develop self-driving technologies. However, we believe that the unique features of our vehicles, the safety aspects of each of our vehicles, our constant innovation, our growing brand, the increased affordability introduced with Model 3, the innovation and expansion of our global retail, service and charging operations and infrastructure and our future vehicles will continue to generate incremental demand for our vehicles by making our vehicles accessible to larger and previously untapped consumer and commercial markets.

April 2, 2017

Tesla Q1 2017 Vehicle Production and Deliveries

PALO ALTO, CA -- (Marketwired) -- 04/02/17 -- Tesla (NASDAQ: TSLA) delivered just over 25,000 vehicles in Q1, of which approx 13,450 were Model S and approx 11,550 were Model X. This was a new quarterly record for us and represents a 69% increase over Q1 2016. Our delivery count should be viewed as slightly conservative, as we only count a car as delivered if it is transferred to the customer and all paperwork is correct. Final numbers could vary by up to 0.5%.

In addition to Q1 deliveries, about 4,650 vehicles were in transit to customers at the end of the quarter. These will be counted as deliveries in Q2 2017.

Q1 production totaled 25,418 vehicles. This was also a new quarterly record for us.

Tesla vehicle deliveries represent only one measure of the company's financial performance and should not be relied on as an indicator of quarterly financial results, which depend on a variety of factors, including the cost of sales, foreign exchange movements and mix of directly leased vehicles.

Source: Tesla, Inc.

News Provided by Acquire Media

TESLA

July 7, 2017

UPDATE - Tesla Q2 2017 Vehicle Production and Deliveries

PALO ALTO, Calif., July 07, 2017 (GLOBE NEWSWIRE) -- UPDATE: In response to questions we have received about the number of customer vehicles in transit at the end of Q2, we are updating our Q2 delivery release to provide this information. This information will continue to be included in all future quarters.

In addition to Q2 deliveries, about 3,500 vehicles were in transit to customers at the end of the quarter. These will be counted as deliveries in Q3 2017.

Tesla (Nasdaq:TSLA) delivered just over 22,000 vehicles in Q2, of which just over 12,000 were Model S and just over 10,000 were Model X. This represents a 53% increase over Q2 2016. Total vehicle deliveries in the first half of 2017 were approximately 47,100.

The major factor affecting Tesla's Q2 deliveries was a severe production shortfall of 100 kWh battery packs, which are made using new technologies on new production lines. The technology challenge grows exponentially with energy density. Until early June, production averaged about 40% below demand. Once this was resolved, June orders and deliveries were strong, ranking as one of the best in Tesla history.

Provided global economic conditions do not worsen considerably, we are confident that combined deliveries of Model S and Model X in the second half of 2017 will likely exceed deliveries in the first half of 2017.

Q2 production totaled 25,708 vehicles, bringing first half 2017 production to 51,126.

We always want our customers to experience the newest versions of Model S and X while their cars are in service, so we added fully loaded, newly built cars to our service loaner fleet. We always want the service loaner Tesla to be *better* than the customer car being serviced. The customer should never suffer for something that is our fault.

We also finally added a sufficient number of Model X cars to our test drive and display fleet because our stores had been operating with far short of what was needed and, in some cases, none at all. There appears to be substantial untapped sales potential for Model X. It should also be noted that production quality and field reliability of the Model X, for which Tesla has been fairly criticized, have improved dramatically. It is now rare for a newly produced Model X to have initial quality problems.

The first certified production Model 3 that meets all regulatory requirements will be completed this week, with a handover of ~30customer cars at our Fremont factory on July 28. More details to follow soon.

Our delivery count should be viewed as slightly conservative, as we only count a car as delivered if it is transferred to the customer and all paperwork is correct. Final numbers could vary by up to 0.5%. Tesla vehicle deliveries represent only one measure of the company's financial performance and should not be relied on as an indicator of quarterly financial results, which depend on a variety of factors, including the cost of sales, foreign exchange movements and mix of directly leased vehicles.

Forward-Looking Statements
Certain statements herein, including statements regarding future deliveries of Model S, Model X and Model 3, are "forward-looking statements" that are subject to risks and uncertainties. These forward-looking statements are based on management's current expectations. Various important factors could cause actual results to differ materially, including the risks identified in our SEC filings. Tesla disclaims any obligation to update this information.

For additional information, please visit ir.tesla.com.

Primary Logo

Source: Tesla, Inc.

TESLA

October 2, 2017

Tesla Q3 2017 Vehicle Deliveries and Production

PALO ALTO, Calif., Oct. 02, 2017 (GLOBE NEWSWIRE) -- In Q3, Tesla delivered 26,150 vehicles, of which 14,065 were Model S, 11,865 were Model X, and 220 were Model 3. This was our all-time best quarter for Model S and X deliveries, representing a 4.5% increase over Q3 2016, our previous best quarter, and a 17.7% increase over Q2 2017.

We had previously indicated that second half Model S and X deliveries would likely exceed first half deliveries of 47,077, but we now expect to exceed that by several thousand vehicles. In total, we expect to deliver about 100,000 Model S and X vehicles in 2017, which would be a 31% increase over 2016.

In addition to Q3 deliveries, about 4,820 Model S and X vehicles were in transit to customers at the end of the quarter. These will be counted as deliveries in Q4 2017.

Q3 production totaled 25,336 vehicles, with 260 of them being Model 3. Model 3 production was less than anticipated due to production bottlenecks. Although the vast majority of manufacturing subsystems at both our California car plant and our Nevada Gigafactory are able to operate at high rate, a handful have taken longer to activate than expected.

It is important to emphasize that there are no fundamental issues with the Model 3 production or supply chain. We understand what needs to be fixed and we are confident of addressing the manufacturing bottleneck issues in the near-term.

Our delivery count should be viewed as slightly conservative, as we only count a car as delivered if it is transferred to the customer and all paperwork is correct. Final numbers could vary by up to 0.5%. Tesla vehicle deliveries represent only one measure of the company's financial performance and should not be relied on as an indicator of quarterly financial results, which depend on a variety of factors, including the cost of sales, foreign exchange movements and mix of directly leased vehicles.

Forward-Looking Statements
Certain statements herein, including statements regarding future deliveries of Model S and Model X and production of Model 3, are "forward-looking statements" that are subject to risks and uncertainties. These forward-looking statements are based on management's current expectations. Various important factors could cause actual results to differ materially, including the risks identified in our SEC filings. Tesla disclaims any obligation to update this information.

Primary Logo

Source: Tesla, Inc.

TESLA

January 3, 2018

Tesla Q4 2017 Vehicle Production and Deliveries

PALO ALTO, Calif., Jan. 03, 2018 (GLOBE NEWSWIRE) -- In Q4, Tesla delivered 29,870 vehicles, of which 15,200 were Model S, 13,120 were Model X, and 1,550 were Model 3. This was once again our all-time best quarter for combined Model S and X deliveries, representing a 27% increase over Q4 2016, and a 9% increase over Q3 2017, our previous best quarter.

In total, we exceeded our previously announced guidance by delivering 101,312 Model S and X vehicles in 2017. This was a 33% increase over 2016.

In addition to Q4 deliveries, about 2,520 Model S and X vehicles and 860 Model 3 vehicles were in transit to customers at the end of the quarter. These will be counted as deliveries in Q1 2018.

Q4 production totaled 24,565 vehicles, of which 2,425 were Model 3. As we previously indicated, we slightly reduced Model S and X production in Q4 because of the reallocation of some of the manufacturing workforce towards Model 3 production, which also caused inventory to decline.

During Q4, we made major progress addressing Model 3 production bottlenecks, with our production rate increasing significantly towards the end of the quarter. In the last seven working days of the quarter, we made 793 Model 3's, and in the last few days, we hit a production rate on each of our manufacturing lines that extrapolates to over 1,000 Model 3's per week. As a result of the significant growth in our production rate, we made as many Model 3's since December 9th as we did in the more than four months of Model 3 production up to that point. This is why we were not able to deliver many of these cars during the holiday season, just before the quarter ended. Model 3 deliveries to non-employee customers are now accelerating rapidly, and we're confident our customers will love them.

As we continue to focus on quality and efficiency rather than simply pushing for the highest possible volume in the shortest period of time, we expect to have a slightly more gradual ramp through Q1, likely ending the quarter at a weekly rate of about 2,500 Model 3 vehicles. We intend to achieve the 5,000 per week milestone by the end of Q2.

We're very grateful to everyone at Tesla who has poured their heart and soul into helping with the Model 3 ramp and creating the progress we are seeing. We're also very appreciative of our Model 3 customers, who continue to stick by us while patiently waiting for their cars.

Our delivery count should be viewed as slightly conservative, as we only count a car as delivered if it is transferred to the customer and all paperwork is correct. Final numbers could vary by up to 0.5%. Tesla vehicle deliveries represent only one measure of the company's financial performance and should not be relied on as an indicator of quarterly financial results, which depend on a variety of factors, including the cost of sales, foreign exchange movements and mix of directly leased vehicles.

Forward-Looking Statements
Certain statements herein, including statements regarding future production of Model 3, are "forward-looking statements" that are subject to risks and uncertainties. These forward-looking statements are based on management's current expectations. Various important factors could cause actual results to differ materially, including the risks identified in our SEC filings. Tesla disclaims any obligation to update this information.

Primary Logo

Source: Tesla, Inc.

EVERCORE ISI

Flash Note **Global Automotive**

January 31, 2019

TESLA MOTORS, INC.
TSLA | $308.77
In Line | TARGET PRICE: $330.00
Commentary

Arndt Ellinghorst
+44 207 847 3501
arndt.ellinghorst@evercoreisi.com
Max Yoward
+44 207 847 3505
max.yoward@evercoreisi.com

Chris McNally
+44 207 847 3502
chris.mcnally@evercoreisi.com

Leaving Intensive Care… Waiting for Revenues to Ramp

PM Summary - As always, something for the bulls and something for the bears in the TSLA Q4 report/conference call (definitely less fireworks this time). Today, the bull/bear debate will be over the '19 outlook/cash generation while twitter will be mad with conspiracy theories over the CFO retiring. We would expect this tug of war to be won by the bears this time (-5% after-hrs on CFO retirement) and Tesla down on the open.

No recommendation change ($330 PT, In-Line) - Investors should stay on side-line to see how maturing S/X and Model 3 mix dilution will play out. We also fear that increasing supply of more competitive EV product from peers will shape the industry (please take a look at our latest VW MEB report **here**). As the EV market matures, the exclusiveness of the Tesla multiple might evaporate. We're not suggesting that Tesla as a brand or company necessarily will struggle but we do expect the severe valuation gap to other leading/premium OEMs may converge over time. Our $330 PT represents ~7% upside from yesterday's share price and we doubt many investors would willingly take on the volatility that comes with the stock for this degree of upside. For the risk/reward to get more interesting, we would need to apply our TP methodology to '22 metrics, when forecasts can include a contribution from the Model Y ("*targeted first production*" Q4 '20 but not sold/produced in volume until 2021/2022).

For the Bears (should outweigh bull points):

- 2019 delivery estimates (and implied Rev) disappointed by ~5-7%. 7k/wk production at Freemont will be achieved "*by the end of the yr.*" It appears the company no longer even targets 10k/wk Freemont as the new target is 500k (10k/wk) by "*sometime between Q4 and Q2 '20*" through a combined Freemont/Shanghai (7k + 3k respectively).
- CFO (Deepak Ahuja) to retire and to be replaced by Zack Kirkhorn (previously VP Finance), but Zack's age (34) and lack of work experience outside TSLA (graduated HBS six years ago) will raise eyebrows for whether he is fit for task.
- Model S/X – "*slight decline YoY*" given removal of 75Kwh option (expected).

For the Bulls (Q4 bright side, questions remain medium-term capital strategy):

- Cash is King (especially when you're a stock which investors either think is going to $0 or $4,000) – TSLA ended the year with $3.7Bn cash on hand and $910MM Q4 FCF (both ~$300MM better than consensus on lower capex). In the statement and on the call they discussed "*sufficient cash on hand to comfortably settle in cash our convertible bond that will mature in March 2019*".
- Q4 was another relatively solid EBIT Q ($414MM Income from Ops vs our/cons $359MM/ $344MM). Pls see Fig. 1 for full Q4 reported vs EvrISI/Consensus.
- Model 3 consumers trading up? - 60% of trade-ins coming from non-premium.

…and somewhere in between

- Gigafactory Shanghai is "*initially aiming for 3k Model 3s/week…sometime between Q4 of 2019 and Q2 of 2020.*" Investors will clearly need to see it to believe it.
- Model Y ("*design completed*"), once again, was said to skip a "*product reveal*" but "*this year we will start tooling…to achieve volume production by the end of '20*".

2019 Outlook vs our Model

- 360-400k vehicles (We assume this is <300k Model 3s or <6k/wk avg production, and remainder is Model X/S) – this was lower than our/consensus 402k/395k and should lead to Rev estimates being revised ~5-7% lower.
- Model 3 non-GAAP GM target of 25% at "*some point in 2019*" – same "*25% target*" but timing consistent with our more conservative 22% FY'19 assumption (assuming low 20s '18 exit rate, but lower priced Model 3 mix for FY19).
- "*We are expecting to have + GAAP net income and positive FCF in every Q beyond Q1 2019*" – compares to our/cons $600/$900MM '19 FCF.

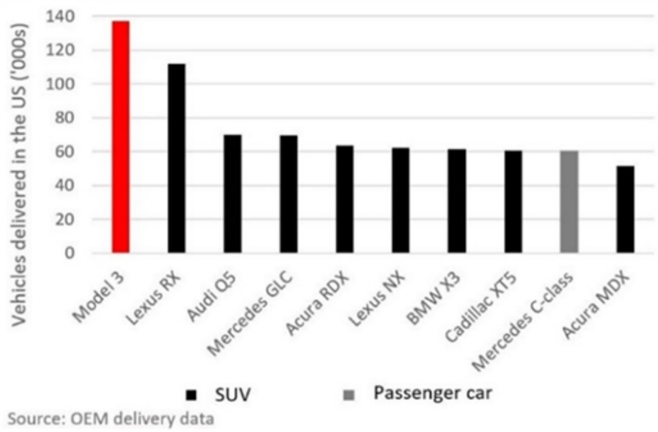
Elon-O-meter (on the conf call) – While clearly a more "*normal*" call than the Q2 fiasco, Elon continues to sound noticeably somber/defense/awkward; including at one point off-the-cuff "*350-500k Model 3s, something like that this year*" when the official total delivery guidance is only 360-400k. *We miss inspirational Elon.*

Figure 1: TSLA Reported vs EvrISIe/Consensus

TSLA Summary	17Q4	18Q4	EvrISIe	Cons	Beat/(Miss) vs cons
	$ (Mn)	$ (Mn)	$ (Mn)	$ (Mn)	
Total Revenues	3,288	7,226	6,806	7,038	2.7%
YoY, %		*119.7%*	*107.0%*	*114.0%*	
Gross Profit	439	1,443	1,535	1,472	-2.0%
Margin, %	*13.3%*	*20.0%*	*22.6%*	*20.9%*	
EBIT	-598	414	360	344	20.3%
Margin, %	*-18.2%*	*5.7%*	*5.3%*	*4.9%*	
Net Income	-771	139	185	195	-28.5%
EPS (non-GAAP)	-3.05	1.93	2.21	2.25	
FCF	-277	910	872	586	55.2%
Capex	-787	-365	-644	-647	-43.6%
Model S/X Deliveries	28,425	27,907	27,708	27,589	1.2%
Model 3 Deliveries	1,542	63,359	60,066	63,094	0.4%

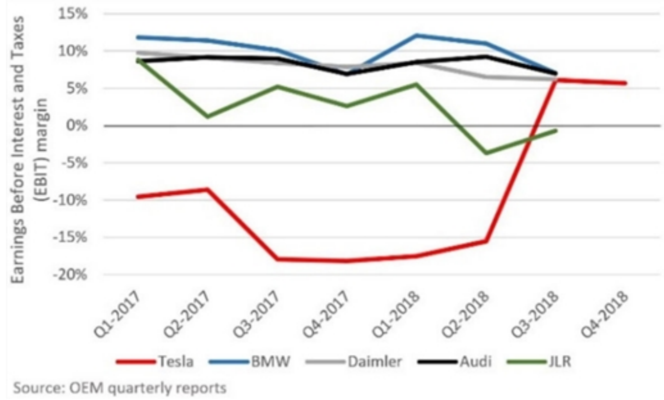
Source: Company Data, Factset, Evercore ISI Research

Figure 2: Premium vehicle sales in the US (2018)



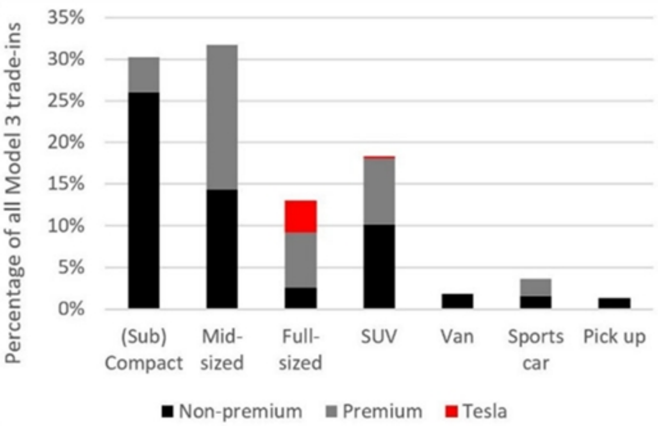
Source: TSLA

Figure 3: Operating (EBIT) margin of premium carmakers



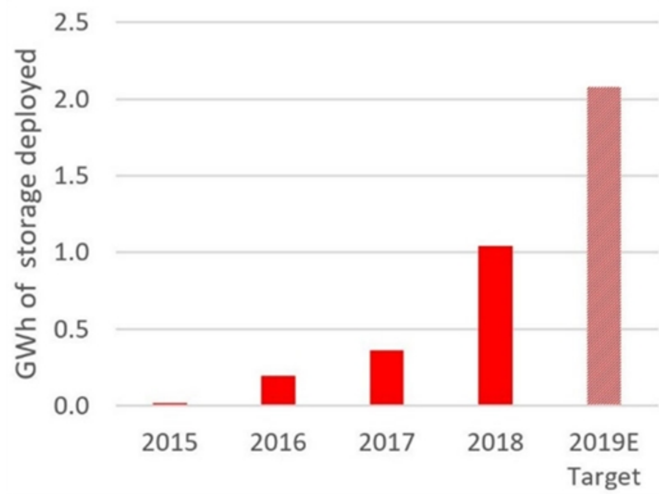
Source: TSLA

Figure 4: Model 3 trade-ins by vehicle type



Source: TSLA

Figure 5: GWh of energy storage deployed



Source: TSLA

VALUATION METHODOLOGY

In general, we derive our target prices using industrial multiples, Sum of the Parts, EV/EBITDA and P/E, either in combination or isolation. The exceptions are Ferrari (RACE) and Tesla (TSLA) where we also use DCF models. We consider automotive valuations in a global context as well as relative to companies' own histories. We assess future earnings growth, operating margins, free cash flow generation and returns on capital employed when determining whether a company is deserving of higher or lower multiples.

RISKS

Automotive companies are global, cyclically exposed, highly complex businesses. As a result, they are exposed to both positive and negative risks from broader political, economic and social factors. They also face both operational and execution risk, as well as risks from changes in key personnel. Any failure to adequately assess exposure to such risks in a timely fashion may result in our estimates/forecasts proving too high and/or too low.

TIMESTAMP

(Article 3(1)e and Article 7 of MAR)

Time of dissemination: January 31 2019 04:57

ANALYST CERTIFICATION

The analysts, Max Yoward, Arndt Ellinghorst, Chris McNally, primarily responsible for the preparation of this research report attest to the following: (1) that the views and opinions rendered in this research report reflect his or her personal views about the subject companies or issuers; and (2) that no part of the research analyst's compensation was, is, or will be directly related to the specific recommendations or views in this research report.

The analysts, Max Yoward, Arndt Ellinghorst, Chris McNally are non-U.S. analysts who contributed to this research report. Non-U.S. analysts may not be associated persons of Evercore Group and therefore are not registered or qualified with the NYSE or FINRA as research analysts, and may not be subject to FINRA Rule 2241 restrictions on communications with subject companies, public appearances and trading securities held by the analysts.

DISCLOSURES

This report is approved and/or distributed by Evercore Group LLC ("Evercore Group"), a U.S. licensed broker-dealer regulated by the Financial Industry Regulatory Authority ("FINRA"), and International Strategy & Investment Group (UK) Limited ("ISI UK"), which is authorised and regulated in the United Kingdom by the Financial Conduct Authority. The institutional sales, trading and research businesses of Evercore Group and ISI UK collectively operate under the global marketing brand name Evercore ISI ("Evercore ISI"). Both Evercore Group and ISI UK are subsidiaries of Evercore Partners Inc. ("Evercore Partners"). The trademarks, logos and service marks shown on this report are registered trademarks of Evercore Partners.

The analysts and associates responsible for preparing this report receive compensation based on various factors, including Evercore Partners' total revenues, a portion of which is generated by affiliated investment banking transactions. Evercore ISI seeks to update its research as appropriate, but various regulations may prevent this from happening in certain instances. Aside from certain industry reports published on a periodic basis, the large majority of reports are published at irregular intervals as appropriate in the analyst's judgment.

Evercore ISI generally prohibits analysts, associates and members of their households from maintaining a financial interest in the securities of any company in the analyst's area of coverage. Any exception to this policy requires specific approval by a member of our Compliance Department. Such ownership is subject to compliance with applicable regulations and disclosure. Evercore ISI also prohibits analysts, associates and members of their households from serving as an officer, director, advisory board member or employee of any company that the analyst covers.

This report may include a Tactical Call, which describes a near-term event or catalyst affecting the subject company or the market overall and which is expected to have a short-term price impact on the equity shares of the subject company. This Tactical Call is separate from the analyst's long-term recommendation (Outperform, In Line or Underperform) that reflects a stock's forward 12-month expected return, is not a formal rating and may differ from the target prices and recommendations reflected in the analyst's long-term view.

Applicable current disclosures regarding the subject companies covered in this report are available at the offices of Evercore ISI, and can be obtained by writing to Evercore Group LLC, Attn. Compliance, 666 Fifth Avenue, 11th Floor, New York, NY 10103.

Evercore Partners and its affiliates, and I or their respective directors, officers, members and employees, may have, or have had, interests or qualified holdings on issuers mentioned in this report. Evercore Partners and its affiliates may have, or have had, business relationships with the companies mentioned in this report.

Additional information on securities or financial instruments mentioned in this report is available upon request.

Ratings Definitions

Current Ratings Definition

Evercore ISI's recommendations are based on a stock's total forecasted return over the next 12 months. Total forecasted return is equal to the expected percentage price return plus gross dividend yield. We divide our stocks under coverage into three primary ratings categories, with the following return guidelines:

Outperform- the total forecasted return is expected to be greater than the expected total return of the analyst's coverage universe
In Line- the total forecasted return is expected to be in line with the expected total return of the analyst's universe
Underperform- the total forecasted return is expected to be less than the expected total return of the analyst's universe
Coverage Suspended- the rating and target price have been removed pursuant to Evercore ISI policy when Evercore is acting in an advisory capacity in a merger or strategic transaction involving this company and in certain other circumstances.*
Rating Suspended- Evercore ISI has suspended the rating and target price for this stock because there is not sufficient fundamental basis for determining, or there are legal, regulatory or policy constraints around publishing, a rating or target price. The previous rating and target price, if any, are no longer in effect for this company and should not be relied upon.*

*Prior to October 10, 2015, the "Coverage Suspended" and "Rating Suspended" categories were included in the category "Suspended."

FINRA requires that members who use a ratings system with terms other than "Buy," "Hold/Neutral" and "Sell" to equate their own ratings to these categories. For this purpose, and in the Evercore ISI ratings distribution below, our Outperform, In Line, and Underperform ratings can be equated to Buy, Hold and Sell, respectively.

Historical Ratings Definitions

Prior to March 2, 2017, Evercore ISI's recommendations were based on a stock's total forecasted return over the next 12 months:

Buy- the total forecasted return is expected to be greater than 10%
Hold- the total forecasted return is expected to be greater than or equal to 0% and less than or equal to 10%
Sell -the total forecasted return is expected to be less than 0%

On October 31, 2014, Evercore Partners acquired International Strategy & Investment Group LLC ("ISI Group") and ISI UK (the "Acquisition") and transferred Evercore Group's research, sales and trading businesses to ISI Group. On December 31, 2015, the combined research, sales and trading businesses were transferred back to Evercore Group in an internal reorganization. Since the Acquisition, the combined research, sales and trading businesses have operated under the global marketing brand name Evercore ISI.

ISI Group and ISI UK:

Prior to October 10, 2014, the ratings system of ISI Group LLC and ISI UK which was based on a 12-month risk adjusted total return:

Strong Buy- Return > 20%
Buy- Return 10% to 20%
Neutral - Return 0% to 10%
Cautious- Return -10% to 0%
Sell- Return< -10%

For disclosure purposes, ISI Group and ISI UK ratings were viewed as follows: Strong Buy and Buy equate to Buy, Neutral equates to Hold, and Cautious and Sell equate to Sell.

Evercore Group:

Prior to October 10, 2014, the rating system of Evercore Group was based on a stock's expected total return relative to the analyst's coverage universe over the following 12 months. Stocks under coverage were divided into three categories:

Overweight- the stock is expected to outperform the average total return of the analyst's coverage universe over the next 12 months.
Equal-Weight- the stock is expected to perform in line with the average total return of the analyst's coverage universe over the next 12 months.
Underweight -the stock is expected to underperform the average total return of the analyst's coverage universe over the next 12 months.
Suspended- the company rating, target price and earnings estimates have been temporarily suspended.

For disclosure purposes, Evercore Group's prior "Overweight," "Equal-Weight" and "Underweight" ratings were viewed as "Buy," "Hold" and "Sell," respectively.

Ratings Definitions for Portfolio-Based Coverage

Evercore ISI utilizes an alternate rating system for companies covered by analysts who use a model portfolio-based approach to determine a company's investment recommendation. Covered companies are included or not included as holdings in the analyst's Model Portfolio, and have the following ratings:

Long- the stock is a positive holding in the model portfolio; the total forecasted return is expected to be greater than 0%.
Short- the stock is a negative holding in the model portfolio; the total forecasted return is expected to be less than 0%.
No Position- the stock is not included in the model portfolio.
Coverage Suspended- the rating and target price have been removed pursuant to Evercore ISI policy when Evercore is acting in an advisory capacity in a merger or strategic transaction involving this company, and in certain other circumstances; a stock in the model portfolio is removed.
Rating Suspended - Evercore ISI has suspended the rating and/or target price for this stock because there is not sufficient fundamental basis for determining, or there are legal, regulatory or policy constraints around publishing, a rating or target price. The previous rating and target price, if any, are no longer in effect for this company and should not be relied upon; a stock in the model portfolio is removed.

Stocks included in the model portfolio will be weighted from 0 to 100% for Long and 0 to -100% for Short. A stock's weight in the portfolio reflects the analyst's degree of conviction in the stock's rating relative to other stocks in the portfolio. The model portfolio may also include a cash component. At any given time the aggregate weight of the stocks included in the portfolio and the cash component must equal100%.

Stocks assigned ratings under the alternative model portfolio-based coverage system cannot also be rated by Evercore ISI's Current Ratings definitions of Outperform, In Line and Underperform.

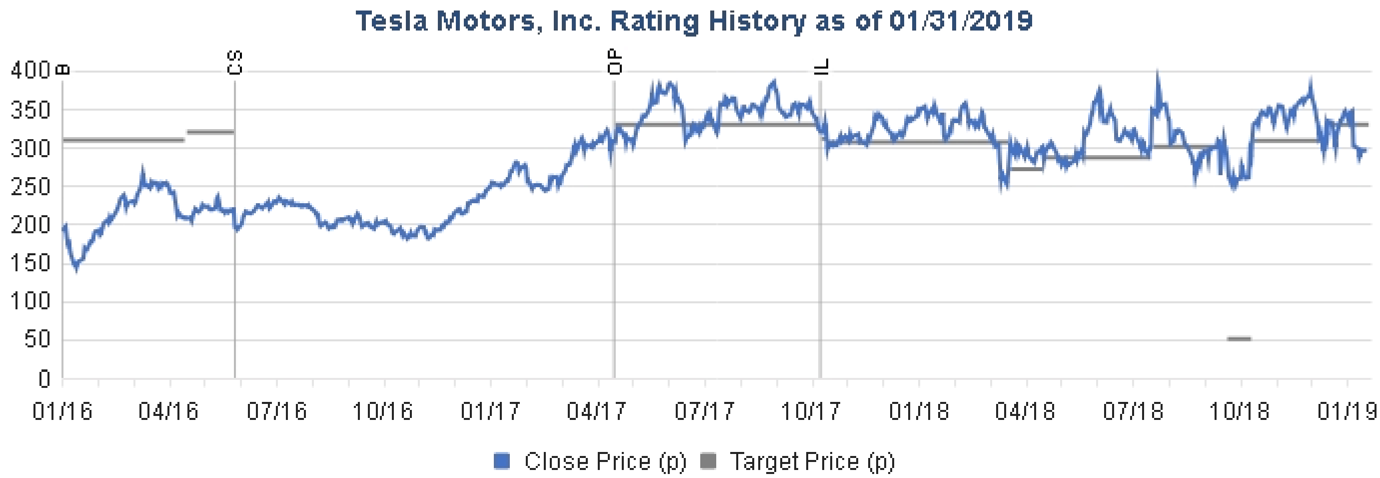
FINRA requires that members who use a ratings system with terms other than "Buy," "Hold/Neutral" and "Sell," to equate their own ratings to these categories. For this purpose, and in the Evercore ISI ratings distribution below, our Long, No Position and Short ratings can be equated to Buy, Hold and Sell respectively.

Evercore ISI rating (as of 31 January 2019)

Coverage Universe			**Investment Banking Services I Past 12 Months**		
Ratings	**Count**	**Pct.**	**Ratings**	**Count**	**Pct.**
Buy	369	52	Buy	236	64
Hold	274	39	Hold	132	48
Sell	41	6	Sell	21	51
Coverage Suspended	18	3	Coverage Suspended	15	83
Rating Suspended	5	1	Rating Suspended	1	20

Issuer-Specific Disclosures **31 January 2019**

Price Charts



Ratings Key

B	Buy	OP	Outperform	L	Long	CS	Coverage Suspended
H	Hold	IL	In Line	NP	No Position	RS	Rating Suspended
S	Sell	UP	Underperform	S	Short		

GENERAL DISCLOSURES

This report is approved and/or distributed by Evercore Group L.L.C. (“Evercore Group”), a U.S. licensed broker-dealer regulated by the Financial Industry Regulatory Authority (“FINRA”) and by International Strategy & Investment Group (UK) Limited (“ISI UK”), which is authorised and regulated in the United Kingdom by the Financial Conduct Authority. The institutional sales, trading and research businesses of Evercore Group and ISI UK collectively operate under the global marketing brand name Evercore ISI ("Evercore ISI"). Both Evercore Group and ISI UK are subsidiaries of Evercore Inc. ("Evercore"). The trademarks, logos and service marks shown on this report are registered trademarks of Evercore Inc.

This report is provided for informational purposes only. It is not to be construed as an offer to buy or sell or a solicitation of an offer to buy or sell any financial instruments or to participate in any particular trading strategy in any jurisdiction. The information and opinions in this report were prepared by employees of affiliates of Evercore. The information herein is believed by Evercore ISI to be reliable and has been obtained from public sources believed to be reliable, but Evercore ISI makes no representation as to the accuracy or completeness of such information. Opinions, estimates and projections in this report constitute the current judgment of the author as of the date of this report. They do not necessarily reflect the opinions of Evercore or its affiliates and are subject to change without notice. In addition, opinions, estimates and projections in this report may differ from or be contrary to those expressed by other business areas or groups of Evercore and its affiliates. Evercore ISI has no obligation to update, modify or amend this report or to otherwise notify a reader thereof in the event that any matter stated herein, or any opinion, projection, forecast or estimate set forth herein, changes or subsequently becomes inaccurate. Facts and views in Evercore ISI research reports and notes have not been reviewed by, and may not reflect information known to, professionals in other Evercore affiliates or business areas, including investment banking personnel.

Evercore ISI does not provide individually tailored investment advice in research reports. This report has been prepared without regard to the particular investments and circumstances of the recipient. The financial instruments discussed in this report may not suitable for all investors and investors must make their own investment decisions using their own independent advisors as they believe necessary and based upon their specific financial situations and investment objectives. Securities and other financial instruments discussed in this report, or recommended or offered by Evercore ISI, are not insured by the Federal Deposit Insurance Corporation and are not deposits of or other obligations of any insured depository institution. If a financial instrument is denominated in a currency other than an investor’s currency, a change in exchange rates may adversely affect the price or value of, or the income derived from the financial instrument, and such investor effectively assumes such currency risk. In addition, income from an investment may fluctuate and the price or value of financial instruments described in this report, either directly or indirectly, may rise or fall. Estimates of future performance are based on assumptions that may not be realized. Furthermore, past performance is not necessarily indicative of future performance.

Evercore ISI salespeople, traders and other professionals may provide oral or written market commentary or trading strategies to our clients that reflect opinions that are contrary to the opinions expressed in this research. Our asset management affiliates and investing businesses may make investment decisions that are inconsistent with the recommendations or views expressed in this research.

Electronic research is simultaneously available to all clients. This report is provided to Evercore ISI clients and may not be redistributed, retransmitted or disclosed, in whole or in part, or in any form or manner, without the express written consent of Evercore ISI. Receipt and review of this research report constitutes your agreement not to redistribute, retransmit, or disclose to others the contents, opinions, conclusion or

information contained in this report (including any investment recommendations, estimates or target prices) without first obtaining express permission from Evercore ISI.

This report is not intended for distribution to, or use by any person or entity in any jurisdiction or country where such distribution or use would be contrary to local law or regulation.

For investors in the UK: In making this report available, Evercore makes no recommendation to buy, sell or otherwise deal in any securities or investments whatsoever and you should neither rely or act upon, directly or indirectly, any of the information contained in this report in respect of any such investment activity. This report is being directed at or distributed to, (a) persons who fall within the definition of Investment Professionals (set out in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the “Order”)); (b) persons falling within the definition of high net worth companies, unincorporated associations, etc. (set out in Article 49(2) of the Order); (c) other persons to whom it may otherwise lawfully be communicated (all such persons together being referred to as “relevant persons”). This report must not be acted on or relied on by persons who are not relevant persons.

Applicable current disclosures regarding the subject companies covered in this report are available at the offices of Evercore ISI, and can be obtained by writing to Evercore Group L.L.C., Attn. Compliance, 666 Fifth Avenue, 11th Floor, New York, NY 10103.

In compliance with the European Securities and Markets Authority's Market Abuse Regulation, a list of all Evercore ISI recommendations disseminated in the preceding 12 months for the subject companies herein, may be found at the following site: https://evercoreisi.mediasterling.com/disclosure.

Elon Musk
@elonmusk

Follow

In other words, you may be able to get a Tesla before the $7500 US tax credit drops in 2 weeks, even if you haven't placed an order yet

11:46 AM - 15 Dec 2018

569 Retweets **10,033** Likes

431 569 10K

Elon Musk
@elonmusk

Follow

And, because electricity costs much less than gasoline, a Model 3 can cost about $1000 less per year to operate. Because it's electric, there are no oil changes, smog checks, tuneups, fuel filter, or brake pad replacements.

11:09 AM - 26 Dec 2018

2,099 Retweets **20,510** Likes

696 2.1K 21K

Elon Musk
@elonmusk

Follow

Replying to @JT_Richards @MMelinot @chuckyyyd

This is incorrect. Vast majority of vehicle motion is returned to the battery, as the electric motors act like a generator in reverse. Brake pads on a Tesla literally never need to be replaced for lifetime of the car.

11:31 AM - 26 Dec 2018

631 Retweets 7,479 Likes

334 631 7.5K

Elon Musk
@elonmusk

Follow

Yes. Supercharger coverage will extend to 100% of Europe next year. From Ireland to Kiev, from Norway to Turkey.

> **Paul Kelly** @shortword
>
> Replying to @elonmusk
>
> Missing some locations out of Dublin, Ireland south towards Waterford. Badly needs some as no Ccs on that route (that works!). Any plans for more here? Should be in a model x in 2 weeks or so!

12:16 PM - 26 Dec 2018

2,191 Retweets **18,990** Likes

1.7K 2.2K 19K

Alexandros Raikos @alexraikos · 26 Dec 2018
Replying to @elonmusk
Greece too?
2 3 134

Elon Musk @elonmusk · 26 Dec 2018
Yes
13 17 639

Tesla Owners Silicon Valley @teslaownersSV · 26 Dec 2018
Amazing
2 3 74

Tesla Owners Silicon Valley @teslaownersSV · 26 Dec 2018
What about Africa
2 6 136

Elon Musk @elonmusk · 26 Dec 2018
2020
86 32 819

Alejandro Zuboff @motorsep · 26 Dec 2018

Replying to @elonmusk

Any plans to build charging stations in Texas in 2019 ? (San Antonio / Austin in particular) The map shows there are several planned, but 2018 is over and none of those were built (and yes, I know there are notes for each that schedule might slip).

5 1 80

Elon Musk @elonmusk · 26 Dec 2018

Definitely. All major highways in Texas will have Superchargers, all the way to Brownsville & across Mexico.

42 48 908

Elon Musk
@elonmusk

Follow

Model 3 mid-range EPA rating is actually 264 miles, slightly higher than prior estimate of 260

Design Your Model 3 | Tesla
Design and order your Tesla Model 3, the car of the future. Learn about lease, loan and cash payment options, warranties, electric vehicle incentives, gasoline savings ...
3.tesla.com

2:31 PM - 3 Jan 2019

774 Retweets **10,849** Likes

532 774 11K

Elon Musk
@elonmusk

Follow

Looking forward to breaking ground on the @Tesla Shanghai Gigafactory today!

6:36 PM - 6 Jan 2019

2,326 Retweets **40,843** Likes

1.1K 2.3K 41K

Elon Musk @elonmusk · Jan 6

Aiming to finish initial construction this summer, start Model 3 production end of year & reach high volume production next year

277 431 8.9K

Elon Musk @elonmusk · Jan 6

Shanghai Giga production of Model 3/Y will serve greater China region

310 479 13K

Elon Musk @elonmusk · Jan 6

Shanghai Giga will produce affordable versions of 3/Y for greater China. All Model S/X & higher cost versions of Model 3/Y will still be built in US for WW market, incl China.

445 648 12K

Elon Musk
@elonmusk

Follow

Btw, you can buy a Tesla online in less than 2 mins & give it back for a full refund for any reason

Electric Cars, Solar Panels & Clean Energy Storage | Tesla
Tesla is accelerating the world's transition to sustainable energy with electric cars, solar panels and integrated renewable energy solutions for homes and businesses.
tesla.com

2:02 PM - 9 Jan 2019

4,580 Retweets **40,287** Likes

2.9K 4.6K 40K

TheLonlyGuy
@TheLonlyGuy_

Follow

Replying to @elonmusk

Is Model S & X being phased out over the next year or two?

3:28 PM - 9 Jan 2019

4 Retweets **111** Likes

10 4 111

Elon Musk @elonmusk · Jan 9

Replying to @TheLonlyGuy_

Def not

44 28 1.2K

Ryan McCaffrey @DMC_Ryan · Jan 9

Any update on the Summon+ (i.e. My Pet Tesla That Follows Me Around the Parking Lot), while we're on the subject?

8 9 559

Elon Musk
@elonmusk

Follow

Replying to @DMC_Ryan

Going through final validation & regulatory approval. Probably releases to early access program owners in a few weeks. It's trippy!

10:50 PM - 9 Jan 2019

76 Retweets 1,787 Likes

57 76 1.8K

Elon Musk
@elonmusk

Follow

Tesla *with* Autopilot engaged is twice as safe & continues to make steady improvements

> **TESLARATI** @Teslarati
> Tesla Q4 2018 Vehicle Safety Report: 1 accident per 2.91M miles with Autopilot engaged, 1 accident for every 1.58M miles without Autopilot
> teslarati.com/tesla-q4-2018-...

10:40 PM - 9 Jan 2019

3,537 Retweets **38,130** Likes

1.0K 3.5K 38K

Darion G @RaptorJesuss · Jan 18

@elonmusk Hey Elon my mom got into a car accident that totaled her car tonight, she's okay, but I suggested she get a Tesla next because of how long her commute is and how safe they are. She said "I'll get one if Elon tells me to" can you please tell her to, my convincing failed?

8 17 332

Elon Musk

@elonmusk

Follow

Replying to @RaptorJesuss

Tesla is the safest car according to US govt testing

11:09 PM - 18 Jan 2019

168 Retweets 1,812 Likes

121 168 1.8K

Reuters Business @ReutersBiz · Jan 21

EXCLUSIVE: Tesla has signed preliminary agreement with Tianjin Lishen to supply batteries to Shanghai factory - sources

REUTERS

DEVELOPING STORY

276 199 2.1K

Elon Musk @elonmusk

Follow

Replying to @ReutersBiz

untrue

9:50 AM - 22 Jan 2019

3,141 Retweets **59,529** Likes

1.2K 3.1K 60K

Elevator Renovations @CabsandSurfaces · Jan 22

How is Advanced Summon coming along?

2 7 459

Elon Musk

@elonmusk

Follow

Replying to @CabsandSurfaces

Almost ready to roll out. Regulators just approved.

3:56 PM - 22 Jan 2019

143 Retweets **3,075** Likes

164 143 3.1K